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ABSTRACT

The symposium on the Financing of Quality Education was intended to initiate a dialogue in the Rochester-Monroe County, New York, area among professional educators, administrators, parents, businessmen, and experts in the field of educational finance and management. About 80 of the key players in the educational decision-making arena for this area convened. Five scholars in the field of educational finance presented the symposium participants with indepth treatments of some of the key issues affecting schools today. Their papers make up the core of this publication. An introduction and a list of participants are also included. (Author/MLF)

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THE FINANCING OF QUALITY EDUCATION

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Proceedings of a Symposium Presented by the

Urban League of Rochester, N.Y., Inc.
William A. Johnson, Jr., Executive Director

and the

University of Rochester, College of Education
James I. Doi, Ph.D., Dean

at the

University of Rochester, River Campus
Rochester, New York

October 27-28, 1977

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PREFACE

The symposium on the Financing of Quality Education was intended to initiate a long overdue dialog in the Rochester-Monroe County area -- a dialog between professional educators, administrators, parents and taxpayers, businessmen, and experts in the field of educational finance and management. In the past, collaboration among these groups to solve the fundamental problems of public education has been sporadic. Yet, all segments of the community have become more dependent than ever on our schools, as each interest group has succeeded in getting the schools to adopt programs and policies related to that group's objectives. As a result, urban and suburban schools have been reeling under the weight of diverse and often conflicting goals and mandates, at the same time they are saddled with antiquated systems of finance and governance. The challenge, therefore, has been to get city and suburban school administrators, parents, businessmen, teachers, government officials, and other interested groups to sit down and identify their common interests in the educational system, to understand the issues, and to work in concert to improve our schools.

To this end, on October 27-28, 1977, the Urban League of Rochester and the University of Rochester College of Education convened about 80 of the key players in the educational decision-making arena for this area. We were also fortunate to have access -- through the faculty of the College of Education -- to some of the nation's leading scholars in the field of educational finance. These individuals presented the symposium participants with in-depth treat-

ments of some of the key issues affecting our schools today. Their papers comprise the core of this publication.

In addition to expressing our debt to the authors of these formal symposium papers, the Urban League also gratefully acknowledges the contributions of all of the other individuals who addressed the symposium. In particular, the following representatives served on discussion panels:

Mr. Angelo Costanza, President, Central Trust Company

Mr. John Hostutler, General Manager, Industrial Management Council

Mr. Gordon Johnson, Executive Director, Citizens Tax League

Mrs. Bea Paul, Member, Rochester Board of Education

Mr. Andrew Ray, Teacher, Charlotte Jr.-Sr. High School

Dr. David Robinson, Superintendent, Greece Central School District

Mr. Ray Samson, Regional Director, New York State United Teachers

Mrs. Catherine Spoto, Chairperson, Parents Advisory Committee, Rochester City School District

We thank Mr. William T. Parker, Acting President of the Urban League and our host, Dr. James I. Doi, Dean of the College of Education, University of Rochester, for their remarks at the opening and close of the conference, and we are grateful to Dr. Art Knighton, Assistant Professor at the University of Tennessee (Memphis) School of Social Work, for his outstanding performance as our moderator

throughout the two-day event.

The Educational Finance Committee, which planned the symposium, was chaired by Mr. James Davis of our Board of Directors and staffed by Mr. Jeffrey T. Carlson, Deputy Executive Director of the Urban League, with the assistance of Mr. Paul Fischer, Mr. Ronald Vasquez, and Mr. Archie Curry. The Committee members were Dr. Jay Chambers, Dr. John Franco, Dr. Walter Garms, Mr. Paul Grattet, Mr. John Haily, Dr. Guilbert Hentschke, Mr. Stanley Marcus, Mr. Nomenee Robinson, and Mr. Robert Shoffner.

SYMPOSIUM PAPERS

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   Executive Director
   Urban League of Rochester, N.Y., Inc.

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   University of Rochester

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   Associate Professor of Education
   University of Rochester

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   University of California at Berkeley
   and President, Board of Education,
   Berkeley Unified School District

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   Guilbert C. Hentschke
   Director, The Center for Urban Education
   Chicago, Illinois

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THE HISTORY OF SCHOOL POLITICS AND ITS IMPACT ON PUBLIC CONFIDENCE

William A. Johnson, Jr.
Executive Director
Urban League of Rochester, N.Y., Inc.

Delivered at the Opening Session of the Symposium, "The Financing of Quality Education", October 27, 1977, University of Rochester.

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Today, more than ever before, we all have an important stake in the success of urban education.. There are two reasons for this: First, it is clear that the vital function of urban education is in serious trouble, both in terms of fiscal support and educational achievement. Second, in an increasingly interdependent society it is ever more obvious that the negative consequences of failures in urban education affect all of us. The spillover of these consequences and their far-reaching costs are inescapable, both within metropolitan areas and across our land.

Yet, despite the importance of our common stake in urban education, by a series of historical developments a situation has evolved, here in Rochester and in many other cities, in which there usually is little significant cooperation or support by public groups for urban education. Instead, what is most typical is factionalism and the defense of narrow, parochial interests. This situation has seriously exacerbated the problems of urban education and it will continue to do so

unless it is changed. So, what I want to talk about is how this situation developed, what its consequences are, and what we might be able to do about it.

But, before doing this, we first should look more closely at the idea of our interdependence and our common stake in the success of urban education. There is much evidence that the fortunes of our cities and their public schools are intertwined. Fortunately for us, Rochester is in much better shape than many American cities. And the recent progress in our "Downtown" redevelopment is quite encouraging. But one must ask how successful a narrowly focused urban redevelopment can be. In other words, can an "economic island" downtown flourish in a sea of increasing social problems and distress?

If the downtown business area is affected by the health of the city as a whole, it also is clear that the suburbs too are affected. It has long been recognized that the suburbs benefit by the prosperity of the city. But now it is increasingly evident that the suburbs are no longer spared from the problems of the cities. We are seeing what the sociologists call the "urbanization of the suburbs". In other words, urban-type problems are developing in the older suburbs of many cities, and all suburbs are experiencing "spillovers" from urban problems such as crime and inadequate education.

The stake that students and their families have in the success of urban education is self-evident. And, as I've intimated, businessmen have an economic stake in the fruits of education in terms of an adequately trained work force, self-sufficient citizens, and a positive and viable social climate in the city. Taxpayers too have an interest in a successful school system, for an inefficient system is wasteful and pressures are always developing for higher spending in an effort to "buy" more effectiveness. Finally, teachers and school administrators have a vital stake since the fortunes of their careers are tied to the fortunes of the schools. When the schools fail to adequately educate large numbers of their students, public respect and support for education decline. Ineffectiveness in the schools and declining respect and support hurt the morale of educators and--in a time of tight finances--increase fiscal uncertainty and threats to job security.

If our common stake in urban education is understood, we can return to my contention that despite this shared interest a situation has developed in which there is little significant cooperation or support by public groups in behalf of urban education. Rather, while a number of groups continue an interest in the schools in the sense of coming to the defense of portions of school activities that they favor, they usually do not offer concerns, let alone their support, in

regard to fundamental issues, except when the very continuance of the system is in doubt.

But, as heartening as it is to see widespread support developing in times of fiscal crises, much more than just public assistance in keeping the school doors open is needed. This is because survival of the school system that only means "business as usual" does nothing for solving the most fundamental issue of urban education, the student achievement problem. Today, there is much distress because many people perceive that although expenditures for education keep climbing there are no signs of increased productivity in schools. Worse, student achievement scores tend to be declining and too many urban schools appear to be moving toward becoming little more than expensive "babysitters." The costs of this situation for students, their families, and society are enormous.

But, with so much at stake, how can we have gotten to a point where there is little helpful public involvement in urban education? Historically, the beginning of this situation can be traced to the Municipal Reform movement at the turn of the century. The Reformers sought to put an end to the corruption and inefficiency of government by political "machines." They instituted a number of reform measures, such as non-partisanship, the civil service merit system,

and the city manager plan, which were calculated to increase the honesty and efficiency of local government. In public education, they went one step further and added the idea that the sensitivity of this function required that it be separated from municipal government and, insofar as possible, from all taint of "politics." While these reforms encouraged the growth of professionalism and expertise among educators, they created barriers to meaningful political system, from which a large amount of the financial support of education always has come.

As time went on, it began to be apparent that the growth of professionalism and expertise among teachers, combined with the possession of tenure, often inclined them to discount the presumably uninformed views of laymen. And among school superintendents, the resource of professional expertise, in conjunction with Reform measures, was rather easily translated into power to dominate their school boards in both agenda-setting and policy-making. In both instances, the Reform philosophy that most educational questions were essentially technical matters, beyond the capacity of the laity to decide, worked to discourage citizen involvement and to undercut its legitimacy.

Following World War II, the deteriorating housing stock and aging school system facilities in cities contributed to the attractiveness of suburban living. The exodus to the

suburbs which began then, and continues now, has not only hurt the cities economically, but it has drained off many of the better educated and more affluent citizens who had the know-how and resources to provide needed leadership for public involvement in education.

The 1960's brought us the Civil Rights movement and the beginning of the long struggle to desegregate urban schools. In Rochester this ultimately led to the heated controversy in 1971 over the "Reorganization Plan", which was adopted by a divided school board in January and then rescinded by a "new" school board elected in November. The disruption to the school system, the protests, conflicts, and racial tensions generated during this period left many Rochesterians fatigued and alienated. Moreover, in Rochester and elsewhere the animosity, rancor, and highly politicized nature of the educational scene during the 1960's and early 1970's tended to discourage civic leaders from becoming involved, or from continuing their involvement, in school affairs.

Another negative outcome of the controversy over the "Reorganization Plan" was the changeover from a partisan-elected to a non-partisan-elected school board beginning with the November 1971 election. This change has further weakened the mechanisms for public leadership by enabling the political parties to escape their share of responsibility for events in this arena. Non-partisanship also increases the problems of

effectively linking the school system to the larger political systems from which it draws financial sustenance. And, as if this were not enough, political scientists have shown that the non-partisan system reduces the participation of the masses in governmental affairs.

A final development which should be mentioned is the impact of collective bargaining upon the public control of public education. The 1960's and '70's have seen a dramatic increase in the power and influence of public employee unions. Increasing numbers of important educational policy decisions are being made not through the legal forum of school boards but through a collective bargaining process that is largely hidden from the public and that many observers believe provides inadequate representation of the public interest.

In sum, all of the factors I have enumerated have combined to discourage and weaken public involvement and public leadership in shaping, making, and supporting educational policy decisions in Rochester and in many other cities. The heart of the problem flows from the historic attempt to <u>separate</u> or, better, <u>isolate</u> public education from the rest of government and, ironically, from the public itself. Thus, it appears that the autonomy of educators, or their freedom from outside "interference", has been purchased at what turns out to be a very high price. Ultimately, the "hands off" education approach is really not very sensible because by

definition public education must be publicly supported. And if public support is to continue adequately, it follows that both the delivery of educational services and the policy-making process for defining these services must be publicly accessible and publicly accountable.

With broad-based and high-level public participation in educational affairs discouraged, the educational policy-making arena has fallen prey to special interest groups, not the least of whom are educators themselves. But if educators understandably have sought to advance their own interest they also have sought to serve the public interest. And in this their efforts have been blunted by other interest groups, and by a phenomenon that can be called the problem of the "crowded curriculum". Over the years various interest groups have lobbied successfully for additions to the school's curriculum Incrementally, but rather steadily, the curriculum has become ever more crowded as no interest group has been willing to see anything they favored deleted from the curriculum. The result is that school, particularly in the cities, are staggering under an unrealistic burden of multiple and competing goals and expectations.

The worst of the matter, however, is that of the diverse and competing goals of urban education the most important often seem to be receiving the least attention. Thus, too frequently most of the energy in and around the school system

appears to be focused on adult-oriented concerns rather than child-oriented concerns. Rather than student achievement and student welfare, the most important concerns often seem to be salaries, working conditions, and the allocation and retention of jobs. Put another way, the focus and debate is more on inputs into the school system of special interest to adults than it is on the outcomes of education, or what schools are supposed to be all about.

This state of affairs is likely to continue as long as there is a lack of broad-based and high-level public involvement and public leadership directed toward the fundamental issues of urban education. The whole burden of leadership, of finding new ideas, solutions, and resources, cannot be left on the shoulders of the school board, the school administration, and the teaching staff. The problems of urban education are too complex and far-reaching. Thus, those immediately involved in running the school system are naturally inclined to become almost entirely caught up in just trying to maintain the system. Faced with a struggle just to survive, they frequently must experience the feeling that "when you're up to your 'waist' in alligators, it's hard to remember that you came to drain the swamp."

But, what can be done about all of this? This. of course, is what we are assembled here to try to determine. It should be clear, however, that I believe that an inportant

part of the answer involves renewed public leadership and involvement. I believe that we need to create a new forum or mechanism for bringing together all interested parties to engage in an ongoing dialogue in search of our common interests in successful urban education and ways to advance them. In other cities such mechanisms have been created and have functioned to great advantage. In Rochester, as in other cities, I believe that such a mechanism is needed to open up communications, to stimulate public debate of fundamental issues, to establish needed linkages to all significant social, civic, economic, and political groups, and, above all, to provide for a means for coalescing public opinion to direct and support a renewed public leadership in education.

Finally, I believe that if we truly recognize our interdependence and our shared stake in urban education, we cannot fail to see that we must act together, that we must engage in collaborative problem-solving. The purpose of this conference is to begin such process.

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THE THREE BASIC QUESTIONS OF SCHOOL FINANCE: WHO SHOULD PAY? WHO SHOULD BENEFIT? WHO SHOULD GOVERN?

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The Basic Questions

There has been a lot of concern in recent years with the financing of education. You are all familiar with at least some of the concerns: need for more state money at the local level, need for property tax relief, need for more equitable distribution of money among wealthy and poor districts, need to provide funds for adequately educating the handicapped, need to preserve local control, and a number of other concerns. What I wish to do here is to provide a way of looking at school finance so that we can make wiser decisions about it, and to discuss some alternative ways in which we might finance the public schools of New York State.

The basic questions of school finance are three in number, and most of our concerns can be subsumed under them. They are

1. Who should pay for public education, and how much?
2. Who should benefit from public education, and to what extent?
3. Who should govern public education, and how?

Let us tackle the first of these questions. Why should we finance the schools publicly at all? This sort of question is too seldom asked, for we are so used to the present method of financing that we often tend to assume that it has to be this way. However, let us suppose that the benefits of education only go to those who undertake the education. The evidence is quite clear that

if I buy myself an education I will then, on the average, earn quite a bit more money than if I do not buy that education. Studies show that the rate of return to an individual who invests in education is substantial, generally more than he could get by putting the same amount of money into an alternative investment such as stocks or bonds. Thinking only as a private individual, then, and assuming I have the mental capacity to benefit from the education, it will be to my advantage to invest in education, whether in so doing I benefit anyone else or not. Education thought of in this way is what the economists refer to as a private good. Similarly, if I get personal enjoyment out of going to school, that is a private good which I should buy if I want to, but which no one should be compelled to buy for me.

On the other hand, education is not just a private good. People who work aren't on welfare, and if education makes people more employable, it reduces the welfare cost for everyone. The education in this case is received by specific individuals, but the benefits are to many people besides themselves. Thought of in this way, education is partially a public good, and thus qualifies for the possibility of public support. Another example of the fact that education is a public good is the fact that an educated person may be able to direct the work of less-educated individuals and thus enable them to earn more than they otherwise could. The person who has received the education is not the only beneficiary of it.

How do we decide whether education should be publicly supported, and to what extent? If education is a pure private good, we should provide no subsidies or public financing, but allow people to purchase as much or as little of it as they wish at whatever price the providers of education decide to charge. That is what we do now with the purchase of automobiles and a great many other

things. On the other hand, if education is a pure public good it should be entirely publicly financed. Air pollution control is an example of this sort of good. No one individual, acting by himself, can significantly reduce air pollution. As a result, no one will voluntarily invest in pollution control equipment, even if everyone agrees that control of pollution is a good thing. There are two ways that government can see to it that this type of public good is produced for the benefit of all. One way is simply to pass laws forcing compliance. This is the method being used in pollution control. The other method is to provide public financing, as we do in expenditures for national defense. Both methods are used in the public schools, where we enforce mandatory attendance and also provide tax money to pay for schooling.

However, the fact is that education is neither a pure private good nor a pure public good. It has aspects of both, and this implies that it may be neither necessary nor desirable to pay for it entirely from the public purse. But how much should come from taxes and how much from the individuals who get the education? One approach might be to try to figure out what proportion of education is a private good and what proportion public. However, this is an exceedingly difficult task. Economists have been trying to do this for years, with little luck so far. Fortunately, there are alternatives. Suppose that individuals, making private decisions, bought as much education as was justified by the public effects I have described? Then there would be no need for public control or financing, even though there are public benefits. Public expenditure (or compulsion), then, should not be in proportion to public benefits, but only that which is necessary to induce or force the desired consumption of education above that which people will buy on their own. Another alternative is to define legislatively that education in which there is a public interest, and fund only it.

It is interesting that we have seemed to pay more attention to this philosophy at the level of higher education than in elementary-secondary education. In every state, students in the public colleges and universities pay part of the cost of education through tuition. At the elementary-secondary level, however, we typically do not have such sharing. The education is either funded entirely publicly, or is not funded at all (as with private music and dancing classes).

For the portion of education that is publicly financed, funds come from taxes. A major concern is the extent to which these taxes are obtained in a manner that is equitable. The chief target of those who complain about taxes is the property tax, which is the mainstay of local government, including the schools. It is alleged to be the most regressive tax we have, although economists are in violent disagreement on whether or not it really is regressive. Part of the reason that there is so much upset over the property tax is the unfairness that is manifest when someone else's house is assessed at less than yours is. There are frequent serious proposals to do away with the property tax completely, but this is probably not possible without a very large decrease in public services or a very large increase in income and sales taxes. The property tax raises so much money that it makes more sense to figure out ways to reform it than to try to do away with it. I will have some suggestions along that line.

The second basic question of educational finance is that of who should benefit. A basic principle of public funding is that the beneficiaries should be treated equitably. It should be made immediately clear that equitable treatment does not necessarily mean equal treatment. In general, we should provide public services to people in proportion to their need for them. In order to do this for education it is necessary to devise school finance formulas that are

usually of amazing complexity. There are only a few people in this state who completely understand its school finance formula, and New York is not unique in this respect. However, there are three kinds of inequities that most school finance formulas try to remedy.

The first of these is differences among school districts in the ability to raise money for education. Because local support of education comes from the property tax, districts with a lot of property wealth per student can raise more local money per student than districts that are low in property value. State school finance formulas attempt to remedy this by providing property-poor districts with more money per student than property-rich ones. Unfortunately, the amounts provided by the state are usually not enough to make up for the differences in local taxing ability, and New York is an example of this.

The second inequity has to do with the fact that some students cost more to educate than do others, and some districts have concentrations of these high-cost students. Examples are the physically and mentally handicapped, those engaged in vocational education, and those who come from an impoverished environment. An adequate school finance formula will take these differences into account. Some states do an excellent job in this respect, while others do very little.

The third inequity is caused by differences in the cost of providing educational services in different districts. The district in the Adirondacks must pay more for heating, snow removal, and bus transportation. The district in the city may have higher costs for security and vandalism. In the New York metropolitan area the cost of living is high, necessitating higher salaries for all employees. Districts with declining enrollments have few new teachers, and most of their present teachers are near the top of the salary schedule. Perhaps

most important, although very hard to measure, is the fact that some districts are less attractive to teach in than others, and it is necessary to pay more in such a district to get the same quality teacher. School finance systems should attempt to correct for such inequities, but with the exception of bus transportation few make any attempts.

The last basic question of school finance is that of who should govern education, and how. Those who would take a narrow view of school finance would say that this is not a proper subject for discussion here. It is these people who say, "Just give us more state money with no strings attached and we will provide you with a good school system." A minute's thought about this statement should convince us that governance is intimately tied up with the financing of education. Without addressing any specific method of governance yet, I can mention two major concerns that must be addressed as we try to design a school finance system.

The first is that the system of school finance and governance should promote efficient operation of the school system of the state and of each of the school districts. In private industry the price system automatically (although often imperfectly) provides for efficient operation, for those who operate efficiently are rewarded with higher profits. There is no comparable automatic mechanism in the area of public services. As a consequence, we must consciously try to build into a system either controls or incentives (perferably the latter) to provide for efficient operation. The fact that most of our public financing does not do this is painfully evident in the increases in our tax bills.

The second major concern in governance is that the schools should be responsive to the wishes of those they serve. This implies local control, and in large districts that local control may need to be at an even lower level than

the district. However, this tends to conflict with attempts to be equitable, for these attempts usually involve more state money, and with state money comes state control. These are not the only things of those mentioned that conflict with each other, and this is the reason that designing a school finance system is such a complicated process.

New York

I have thus far described these questions regarding school finance in an abstract fashion. I would like now to examine the New York finance system and discuss it in the light of these questions. Then I intend to discuss some alternatives, ranging from those currently in use in other states to one that is more of a gleam in my eye.

A brief description of the New York finance system is necessary first. The basic idea of it is built around the idea of wealth equalization. The state requires each school district to levy a tax of $15 per $1000 of true property value. The difference between what this raises and $1400 per pupil is provided by the state. Thus, if a district using this tax rate raised $500 per pupil, the state would provide an additional $900 per pupil. However, there is a floor to what the state provides, so that even if the district raises more than $1400 per pupil with its $15 tax rate, it still gets $360 per pupil from the state. The district may tax at a higher rate than $15, but it receives no additional aid from the state for so doing. Since the average total expenditure in the state is now around $2600 per pupil, most districts will have to tax at a higher rate than $15, and the poor ones will have to levy higher tax rates than the rich ones to achieve the same spending level.

There are some provisions for those districts with concentrations of high-cost pupils. Severely handicapped pupils are counted as if each were two pupils,

Those who come from disadvantaged backgrounds are counted as if they were one and a quarter pupils. These provisions bring more state money to the districts. Additional high-cost pupils are taken care of by BOCES (Board of Cooperative Educational Services), a kind of intermediate district which contracts with school districts to provide specialized educational services and also receives state support. Large city school districts are not allowed to join BOCES, but there are provisions in the formula to give them some help for high-cost pupils in lieu of BOCES. There is no specific provision in the formula to care for the higher costs of operation in some districts, except in the area of transportation to and from school, where the state picks up 90% of the cost.

The big problem with this description of the school finance mechanism, though, is that it doesn't work that way. The fact is that the whole system is dominated by two "save-harmless" guarantees and two "maximum aid" limits. The first save-harmless guarantee provides that no district shall receive less state aid per pupil than it received last year (or in any former year, since this provision has been in effect for a long time). This means that even if a district is rapdily increasing in property value per child it will continue to be subsidized by the state as if it were poorer. The second save-harmless clause provides that no district shall receive less in total from the state than it received in any previous year. This means that a district that is declining in enrollment continues to receive money from the state as if it had a higher enrollment. There are some districts on Long Island that have been declining in enrollment for over ten years, and by now are treated by the state as if they had almost as many "phantom" students as they have real students. In 1975-76, of the 709 school districts in the state, 701 were on one or the other of these save-harmless guarantees.

The maximum aid limits prevent districts from receiving more than a 6% increase in state money over 1976-77 either on a per pupil or total basis. In other words, regardless of what the present distribution is supposed to be, actually no one gets less than last year nor more than 6% above last year, and these limits in turn go back to amounts received in years long before that. This year, only 126 of the 709 districts in the state will receive aid based on the formula. The rest will be affected by the save-harmless guarantees (347 districts) or the maximum aid limits (236 districts). In essence, we have a "non-formula," with the state allocations to school districts depending not upon present need, but upon what was received at some time in the past.

Local money to support the schools in New York is raised from local property taxes. In most districts, the people must vote on the school budget each year. In major cities, however, there is instead a tax rate limit. In Rochester, for example, total municipal and school taxes may not exceed 2% of the property value. The school district is officially part of the municipal budget, although in Rochester the school district has been allocated a percentage of the tax take and operates with relative independence of the municipal government.

With this brief explanation, let us view the New York system in the light of the questions previously asked. Who pays for public education in New York, and how much? At the elementary-secondary level there is no tuition, so that whatever is provided by the school district is provided free to all students, and what is not provided for completely is not subsidized at all. (I recognize that I can be contradicted on details of what I say here because of necessary simplifications, but the essence of what I say is correct.) Essentially, we are acting as if whatever it is that local districts elect to teach is a pure

public good, and everything that is not taught is a pure private good. That this is no different than in the other 49 states does not mean that we should not stand back occasionally and question it.

The tax system that supports the public schools in New York is probably better than it is in many states. About half of the total money spent for public elementary-secondary education comes from the state, and this is mainly raised from the sales tax and the income tax. The income tax, with all its failings, is probably one of our more equitable taxes, based as it is on ability to pay. The sales tax, because it exempts food, drugs, rent and taxes, exempts a good deal of the expenditures of the very poor, and thus tends to be relatively equitable. The local share of the money comes from the property tax. Perhaps the best that can be said for it is that in all but the city school districts people get to vote on how much property tax they want. The worst feature of property taxation in New York is the scandalous state of property assessment. In most assessing jurisdictions there is little connection between assessed value and true value of property. There are periodic calls for reform of property assessment practices, but they usually founder on a hard fact: if all property were assessed at true value, homeowners would pay more taxes than they now do, and industry would pay less. This is because commercial and industrial property is, on the average, assessed now at a higher percentage of true value than are homes.

When we look at the question of who benefits from the New York school finance formula, we must immediately admit that there is little correspondence between any measure of need and actual state money received because of the operation of the save-harmless clauses. Phantom students continue to abound,

there is insufficient consideration for the extra costs of educating high-cost students, especially in the city districts, and the only area in which differences in the cost of doing business are considered is in the state aid for pupil transportation. New York is often held up as a classic example of a state whose school finance system has gone sour because it has no way of automatically adjusting to changed conditions and because the legislature seems unable to do more than distribute some additional money in election years in roughly the same way that it is already being distributed.

The third question of school finance, that of who governs, is concerned with efficiency and responsiveness. There is little in the way education in New York is financed or governed that encourages efficiency. Indeed, portions of the system actively encourage inefficiency. The most egregious example is that of state aid for pupil transportation. The state provides 90% of the cost of operation of the home-to-school transportation system. When the cost to the local district is only one-tenth of the total cost, there is no incentive to try to operate efficiently. In an attempt to counteract a tendency of the local district to be careless about school bus operation, the state has surrounded the aid system with an almost impenetrable mass of regulations and reporting requirements, the net effect of which is to encourage further inefficiency. Such a complicated system also encourages a few smart districts to figure out a way to beat the system. Brighton, for example, transports any student who wants a ride, no matter how close to the school he lives. They would not normally be entitled to any state aid for those that live less than a mile and a half from the school, but they are able to get far more state aid than one would expect them to because their transportation supervisor understands the regulations thoroughly, and she uses them creatively. I am not condemning

Brighton for this, for they are doing nothing illegal. They have even explained to the bureaucrats at the state level how they do it. What should be condemned is a system that encourages this sort of thing.

Is the New York system responsive to the wishes of its clients? This is a difficult question to answer. The fact that in most districts the public must vote on the budget each year must be counted as a plus for responsiveness, although undoubtedly considered a nuisance by administrators. The fact that the district can fall back on an "austerity" budget that is austere for parents but not for teachers unfortunately diminishes this responsiveness. In the city, there is not even this vote, and in addition the number of parents represented by a single school board is so large that most parents feel there is little opportunity to express their opinions. Certainly the New York system could be improved in responsiveness.

Summing up, I would give the New York system about a C on how it deals with the question of who pays, an F on the "who benefits" question, and a D in the area of governance.

What are the possibilities of changing this system we have in New York? I believe the long-term prospects are good, but the short-term prospects are poor. I think there is an excellent chance that the so-called Levittown case will be decided in favor of the plaintiffs. This is a suit filed in the state courts by a group of poor school districts, and in which several large districts, including New York City and Rochester, intervened. I believe the judge will find the present system of school finance unconstitutional under New York's constitution, and this will necessitate a complete reworking of the system. However, the judge has not yet rendered his decision, and is not expected to for some months yet. After that, it must go through the appeal process until finally

the state's highest court renders its decision. It is then up to the legislature to devise a new system. Some measure of the length of time this whole process takes may be gotten from California. The Serrano suit was originally filed in 1968. The California Supreme Court rendered its decision in the case in December of last year, more than eight years later. The California legislature made important changes in the law this year in response to that decision, but it is possible the system may not yet meet the court's mandate. Thus, we may see some progress in school finance in New York around 1985.

Why don't I think anything is apt to happen until then? It is a combination of two things. First is that the New York legislature has shown itself unable, over a long period of time, to do anyting to change in any substantial way the present system of school finance. For example, when it changed from the percentage equalizing system to the present system in 1973, only the form of the law changed. The save-harmless and maximum aid clauses insured that the distribution of money would be approximately the same. The same thing happened this year when the formula guarantee changed from $1200 to $1400. The other reason I don't think much will happen is that experience in other states shows that it is only possible to make major changes when there is a surplus of money in the treasury that can be poured into education. Politically, it seems impossible (without compulsion from the courts) to take money away from any district. Thus, to make changes, it is necessary to "level up" the districts that now suffer to the level of the affluent districts. There is no such surplus in the state coffers, and there is no anticipation of one in the near future.

Under such a situation, what are we to do? Short-term, I think it is essential to think about how we can get along better with what we have. It is not my function today to do that. Gib Hentschke and Jim Guthrie will talk about that tomorrow. I can only reiterate that in a state where we spend

$2600 per pupil on education while the national average is around $1700, it is worth examining whether we are getting our money's worth. Unfortunately, there has been little research that would attempt to show how differences among states in funding would affect learning. One thing that would be interesting to do would be to examine children who have come into our system after some years in school in states where expenditures are much lower than here. After they had been in the New York schools for a year or two, we could attempt to determine how much, if any, they were behind classmates of similar socioeconomic status who had always gone to school in New York.

In any case, because I believe there is a good chance of basic change in the New York system in the long run, I think it is time we started considering where we might like to go. I would like now to mention certain features of school finance systems in three other states, which are probably better than the present New York system. I then intend to finish up with a more detailed explanation of a system that has not yet been adopted by any state.

Florida

I have been strongly identified with the school finance plan in Florida, because it was adopted based on recommendations by me and Mike Kirst from Stanford. Like the New York system, it guarantees a specific number of dollars per student to each district. The district must levy a tax of $6.50 per $1000 and the state makes up the difference between what it raises with this and the guarantee. Unlike New York, there are no districts that raise more than the guarantee with this tax rate. Districts are allowed to tax above this rate, but only to $8 per $1000. Because this permissible tax rate increase is so small, differences in expenditure rates in Florida are small.

I said the guarantee is on a per student basis, but actually it is on a basis of weighted students. Through an elaborate system of pupil accounting,

districts determine the number of equivalent pupils in each of over twenty different programs, including various types of mental retardation, physical handicaps, emotional disturbance, and vocational education. The number of pupils in each program is multiplied by a factor, or weight. For normal pupils in the fourth to sixth grades, this weight is 1.00. For normal pupils in grades one to three, it is 1.23. Educable mentally retarded are weighted 2.30, deaf students 4.00, etc. The effect, then, is of counting each deaf student as if he were four normal students, reflecting the high cost of operating educational programs for the deaf. This Florida weighting system is the most comprehensive one in the nation for dealing with programs that have different costs. In order to insure that the extra money is actually spent on these programs, the legislature specified (although we did not recommend) that 90% of the money generated through the state guarantee for pupils in a particular program at a particular school must be spent on those students in that school. This necessitates a comprehensive system of school-by-school accounting, the first in the nation.

The final element in the package is a reporting system to help keep parents aware of their schools: the buildings, the teachers, the students, and the curriculum. Each school must have a parent advisory council, which advises the principal on a variety of matters, including curriculum. In addition, each year the school must publish an annual report to parents and the community, telling a great deal about the school and its teachers, the kinds of children the school is educating, special programs the school is operating, its strong points, and its weak points. A portion of this report is reserved for the report of the parent advisory committee, which may or may not agree with the principal's view of the school.

As with New York, I have given you only the bare bones of the Florida system, for all school finance systems are complicated. However, the Florida system is much less complicated than the New York system, and Florida's system does not have any half-hidden clauses that thwart the intent of the whole thing, as is the case in New York. Let us see how this system stacks up with regard to the question I posed. As with all other public school systems, there is no tuition in Florida. The schools are supported with about two-thirds state money and one-third local money. The property tax rate is quite low compared to New York. In addition, there is a homestead exemption which exempts the first $5000 of assessed value of housing from taxation ($10,000 for senior citizens), thus further decreasing taxes on houses, and eliminating them for many smaller houses. The property assessment process is one of the best in the nation. The state money comes mainly from the sales tax and taxes on tourists. There is no state income tax. Most observers would rate the system of taxation for schools in Florida as pretty good.

Florida rates a high grade on the question of who benefits. Differences in wealth of districts are taken into account through the guarantee system so that there is little connection between wealth and expenditure. Differences in number of high-cost pupils are taken care of quite well through the pupil weighting system, although it is possible to argue with the size of any particular weight. Further, there is assurance that the money is actually being spent on the children in the special programs. Finally, there is also a cost-of-living adjustment to the guarantee level, based on differences in the cost of living in different counties in Florida. This is the only attempt made so far in the United States to account for differences in the cost of education in general.

How about the question of who governs? There are pluses and minuses here. The legislative requirement that the money generated by students in a program be spent on them clearly detracts from the ability of local school districts to adjust their expenditure patterns in ways that they may wish. On the other hand, the parent advisory councils and annual school reports should keep parents better informed about their schools, and facilitate their ability to make their voices heard.

It is difficult to say that the new system has done anything to improve efficiency. The only place where it may is in the formula for state aid for pupil transportation. The aid the district receives is based on a statistical formula which does a good job of estimating what a district should spend based on the number of pupils it must transport, travel distances, and other factors. If the district is able to operate its buses for less than this, the extra money from the state may be used for other purposes; if the district spends more than the state aid for transportation it must make up the difference from local money. There is, then, a clear incentive to operate the bus system efficiently.

Michigan

I would like to look next at one particular feature of the Michigan system, because it has been promoted as a solution to the problems of school finance. It is called power equalizing. The roots of this are in the California school finance suit of Serrano v. Priest, in which the parents of John Serrano alleged that their son received an inferior education because the district in which they lived was property-poor and could not raise enough money from the property tax. The California Supreme Court approved a principle of "fiscal neutrality" which says that the amount of money spent on a child's education should not depend

upon the wealth of the community in which he lives. This does not mean that expenditures must be the same in each district, but only that each district must have equal ability to raise money for school purposes. In other words, the school finance system should equalize the power to raise tax money, and this is the origin of the term power equalization. The way it works is that each district is guaranteed that for each mill of tax it levies it will have $40 per student up to a maximum of 30 mills of tax. (A mill is the same thing as $1 per $1000.) Above 30 mills there is no guarantee. Thus a district that decided to levy a tax rate of 15 mills would have $600 per pupil to spend, and one that decided to levy a tax rate of 25 mills would have $1000 per pupil. However, the fact that a district is poor or rich makes no difference in its tax-raising ability, since the state makes up the difference between the amount raised in local taxes and the guarantee specified for the given tax rate. The system has equalized ability to raise money for schools without equalizing expenditures. This type of system has been highly publicized, and has been adopted in one form or another in 22 states during the 1970s. It is not a panacea, however. In the first place, without modification it fails to address the problem of high-cost students or differences in the cost of providing educational services in different parts of the state. Secondly, it fails to provide any kind of floor under expenditures. Presumably a district could decide to levy a tax rate of 5 mills and have only $200 per pupil to operate the schools, although this is clearly inadequate by any reasonable standard. Thirdly, it discriminates against the city districts in an unexpected way. Cities typically have relatively low tax rates for schools, but high total tax rates when all municipal taxes are included. They are able to have low school tax rates in

an unequalized system because they usually have high property value per student. With power equalizing, however, city districts find that people are unwilling to vote higher school tax rates because of the press of other taxes, and this low school tax rate means less money from the state.

I have explained power equalizing because it has been so highly publicized as the solution to school finance problems. It is interesting that New York had a very similar system from 1962 to 1973, which it called percentage equalizing. However, there were so many limitations on its operation that it really didn't work as intended, and no one mourned its demise.

Washington

I would like now to go to the state of Washington, which has a different system yet. There, the legislature has concluded that its responsibility is to finance a "basic" education for all chidren. Anything more than a basic education is to be financed by local communities to the extent they wish. For this purpose, the legislature has defined the content of a basic education in terms of courses of instruction which shall or may be offered. It includes most, but not all, of the courses one would normally expect to see in the average public school, and requires a time commitment amounting to approximately a normal school day and school year. In other words, they have not significantly cut back on what is normally provided, but they have prevented additional proliferation of educational programs funded with state money. For each of the educational programs a pupil-teacher ratio is specified, and from this one can calculate the number of teachers to which each district is entitled for basic education. The district provides a list of its teachers (up to the number allowed), along with data on each to determine where he or she fits on a state salary schedule.

The state pays the district the total of the salaries thus calculated for the teachers, plus an additional amount per classroom for all other expense. There is no required local tax contribution for this basic program, although the majority of the state money comes from a state property tax.

Local districts are not required to stick to the state salary schedule. They may pay more, but they must do so with locally raised taxes. Similarly, if they wish to have a lower pupil-teacher ratio, or if they wish to have programs not sanctioned under the basic program, they may do so with local tax money. However, the requirements for voting a local excess levy are stringent, and not all districts will pass them.

Who pays for Washington schools? The tax system is equitable in that all of the money for basic education is raised through statewide taxation at a uniform rate. One can argue, of course, over the general equity of the property tax, but assessment practices are better in Washington than in many states, including New York. Additional local expenditures above the basic program are financed entirely through local property taxes. In essence, there is a three-tier system. Those things the state sees as of statewide importance are financed with state money. Those things a particular community sees as additionally worthwhile are financed with local taxes, Those things which only particular individuals prize can be purchased by them from private teachers.

The system for distribution of educational money is also broadly equitable. The amount allocated for basic education does not depend in any way upon the wealth of the local school district. Differences in the cost of providing equivalent educational services are subject to some equalization by taking into account that some district have staffs that are older and therefore more highly paid. There is relatively little allowance, however, for the extra costs associated with high-cost pupils.

When we get to the matter of who governs, we find an interesting dichotomy. The state has taken away a good deal of local authority to determine the school curriculum by specifying the content of a basic education. On the other hand, for any programs beyond the basic program, the local community has complete autonomy.

A Completely Different Plan

I have described three rather different state systems of school finance in order to give a feeling for what is being done in other states. Too frequently, we tend to be captured by the system of our own state, and think only in terms of modifying it, rather than other possible alternatives. I would now like to finish off by stretching your minds a little with a proposal for financing and governing education that is not yet in use in any state, and probably will not be in the near future. It was devised by me and two colleagues during the past year. The idea was to devise something that we feel would do a better job of combining the ideas of equity, efficiency, and responsiveness than any of the present systems.

First, the right to an equal basic education for all children is necessary for the proper functioning of a democracy, and is therefore a proper state responsibility. It is not easy to decide what the basic education should be that is guaranteed to all. It is possible to find proponents of all kinds of things which they would like to define as basic, probably including swimming and tap dancing. We prefer to stick to a much more restricted definition. To us, a basic education consists of those things necessary for minimally effective functioning in a democracy. This includes the ability to read, write, and do basic arithmetic, and knowledge of how our democratic government works. These goals are at least relatively clear-cut, and accomplishment is more easily

measured than in other curricula. Most people would agree that they form the core of education, while few would agree on other curricular objectives. It should be possible to complete this basic education by the end of the eighth grade.

This basic education would be guaranteed on an equal basis to every child, with money provided entirely by the state. The amount of money to be provided for each child would depend upon the extent to which his handicaps may make necessary a high-cost curriculum, and it would also take into account higher costs of providing educational services in the part of the state in which he resides. As with Washington, there would be no required local tax contribution to the provision of a basic education.

Since the basic program involves the coercion of mandatory attendance, it would be kept as flexible as possible by allowing children to attend any public school selected by their parents, whether in their own school district or any other. The school district of residence would be responsible for transportation to any school within a 15-mile radius; parents would be responsible for transportation to schools beyond this radius. This program of basic education, restricted as it is to four basic subjects, would not take as much time of children as do the present schools. For the primary grades the time commitment might be almost as much as at present, whereas it might be significantly less at the intermediate grades.

For other elementary education subjects which students might wish to study, we would provide much more freedom of choice than currently exists. We propose a system based on "educational coupons." These are a form of voucher, with interesting twists. The coupons could be purchased by parents from the local school district in any amounts desired. The cost of the coupons would depend

upon family income and number of school-age children of the purchaser. A poor family with several children would be able to purchase coupons at as little as 10 cents on the dollar; a rich family with one child might have to pay more than 90 cents on the dollar. The excess cost of the coupons, above that paid by the purchaser, would be supplied by the state. The payment schedule would be designed to provide for approximately equal sacrifice by parents with different incomes and number of children. The coupons would come in different denominations, like traveler's checks, and parents could buy as many or as few as they wished.

The coupons could be used to purchase additional educational services for children of the purchasers, either at a public school or through any private institution or individual certified by the state. Parents could spend these coupons on any kind of additional education they wished for their children: foreign language instruction, music, art, swimming lessons, remedial reading, vocational instruction, flying lessons, or medieval architecture. While the intent is to encourage the diversity provided by private entrepreneurs, the public schools would not be excluded from providing these educational services. And the local electorate that wished to provide even more services could supplement the value of the educational coupons redeemed at local schools through local taxation.

Compulsory education would end with the eighth grade. However, each person would be provided with a portable grant that could be used at any time during the remainder of his or her life. It would entitle the individual to a maximum of six additional years of education at any school, public or private, that offered the subjects covered by the entitlement. The amount of the entitlement in any one year would be equal to the average expenditure by the state on

basic education in the elementary schools in that year, possibly multiplied by a factor such as 1.2 to take care of the additional costs of secondary education. The state would provide the money to both public and private schools for this education, at the specified rate. The courses would be those on a list approved by the state, and the individual using the entitlement could enroll to take six years of such courses at the rate of 15 hours a week during the school year. It would be possible and desirable, of course, to allow part-time attendance, and a person might thus use up only a part of a year's entitlement in any one year.

Through the use of these grants, individuals could put off education until they had learned more about the world and had decided what they really wanted to study. In addition to this entitlement, individuals could continue to buy educational coupons throughout their lives, to be used for learning enrichment activities of various sorts. These coupons, for use by adults, would be issued by the state, and purchased by individuals at a discount dependent upon family income. The excess cost of them, above the purchase price, would be paid for through state taxes.

There is no doubt that this plan would substantially transform public education. We believe most of the changes would be desirable. The public elementary schools, relieved of their present charge to be all things to all children, could concentrate on basic instruction in reading, writing, arithmetic, and citizenship. Of course, some additional subjects would still be offered because the school would find that it could do a better job at a reasonable price in educational coupons than private institutions or individuals. This should certainly be possible in many cases, since the fixed costs of offering additional instruction are minimal: classroom and administrators already exist for the basic program.

Parents would, in many cases for the first time, be given the opportunity to make choices about their children's education. They would be able to choose the school they wished their child to attend for basic education, and also to choose among a variety of enrichment courses. Parents would, of course, have to pay for a portion of this additional instruction, but the poorer they are, the larger the amount contributed from the public purse.

A particularly important part of the plan is the fact that mandatory attendance ceases after the eighth grade. High schools would no longer have the custodial role they now have, and the result should be substantially fewer discipline problems. It would, of course, be necessary to change laws regarding minimum working age. Certainly the present cutoff is as arbitrary as laws providing for a maximum working age. The provision of the portable grants would encourage lifelong learning, and a fair number of older students in the high schools would probably also bring a more serious tone to studies there. Finally, the ability of all adults to buy educational coupons on a more or less equal basis would also encourage lifelong learning.

A particularly difficult task involved in fleshing out this proposal is defining what constitutes approved subjects eligible for the portable grant. Our suggestion is to limit the use of four years of the portable grant to organized schools and to courses in them that are designated as basic or vocational and are on a list of such courses approved by the state. Two years of the portable grant could be applied toward any kind of courses. Probably the majority of students would use the first four years of the grant to take basic and vocational courses in a conventional high school, supplementing their program as desired with courses paid for with educational coupons. They might then use the final two years of the grant in a college or university, community

college, vocational-technical school, or with individual tutors. Some, who found that eight grades of formal education were sufficient, might opt to use only the two years of the grant which are not restricted to organized schools and designated courses. For the elective-type courses designated by these two years of the grant, normal tuition might well be more than the state guarantee. The school (or tutor) would claim the guarantee from the state, and then charge the student the difference, payable in educational coupons.

It should be noted that most of this proposal is fully state funded. Only enhancement of local public school efforts to furnish enrichment activities is supported with local taxation. This plan, then, achieves tax equity of state taxes while preserving local and individual options as to the amount and kind of education to be obtained. It also makes it clear that only basic education is to be supported solely by the state. Individuals must pay, at least partially, for additional education, which is primarily a private good, and state participation is limited to making it possible for poor people to have the same options as those who are less poor. We have thus answered the question about who pays for education by saying that the individual consumer helps pay for his education, and that the portion supported by taxation will be raised through uniform state taxes.

With regard to who benefits, it is clear that in basic education there will be equitable treatment. Students in equal circumstances throughout the state would be treated equally, but high-cost students, or those who live in high-cost areas would have additional money spent on them accordingly. The same thing is true with regard to the portable grant. We have defined away any problem of equity for supplementary education paid for with coupons by saying that it is a private good that people may partake of or not as they see fit. State help here is only to make it possible for poor people to do so on an equal basis.

Addressing ourselves to the third question of who governs, we note that, in contrast to existing systems, this one would strongly promote efficiency. In the public schools offering basic education, efficiency would be promoted by the opportunity by parents to send their children to any public school. This would undoubtedly leave some schools with crowded classrooms and others with excess space. This may at first blush seem inefficient, but it is not. It is a natural result of the operation of the marketplace. Principals in under-populated schools would look for ways to make their schools more attractive to parents and children, thus providing more for the money, which is a way of improving efficiency. The public would begin to suggest that principals should be paid by the number of teachers they must supervise, perhaps encouraging more effective principals into the profession. The state could help solve crowding problems by making relocatable buildings available for rent to school districts. When no longer needed at a particular location, the state could move them elsewhere.

The system is clearly more responsiveness to the wishes of the clients than present systems because, aside from basic education, each individual (or his parents) makes the choice as to how much education to acquire, when, and from whom. Perhaps the strongest objections to this proposal will come from those who feel that it dismantles the public schools as we have known them. It takes away the music, art, physical education, and other subjects that have been added to the mandatory list in most states during this century. Our reply is that we feel there is a certain amount of education that is the direct interest of the state. It is clear that reading is the sine qua non of educated functioning, and productive citizens. We have probably diluted our efforts in reading as we have added other programs to the curriculum. The same thing can

be said about the ability to communicate through writing and to do ordinary arithmetic, and to understand the way in which our government functions.

Unless music, art, and other subjects are necessary for all students (which we do not believe), to require them of all students not only takes away from the effort to provide all students with the ability to read, but also smacks of big-brotherism. We feel that the decision as to which of these subjects, and how much, should be studied by each student should be left to students or their parents. Most public schools would continue to offer courses other than the basic ones, financed partly by local taxation and partly by educational coupons provided by parents. However, an artistically gifted student would not have to spend time being bored in music classes or physical education. If this student's parents desired, he could spend several hours a day in the art class of the public school, or could study art at a private school or with a tutor.

I have tried here to provide a way of looking at school finance that will hopefully broaden our perspectives and cause us to think about alternative ways of accomplishing the task of educating young people. The present system of the state of New York cannot be defended on any rational basis, and should be changed. I have suggested some ways in which other states finance education that are worth considering for New York. In addition, my outline of a completely different system of finance and governance may cause some people to think about ways to do things that get out of the present confining mold.

However, for the short-term future, we must give a lot of thought to how we can do better with what we already have, and this will be the subject of the talks by our two speakers tomorrow.

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OBSTACLES TO PUBLIC LEADERSHIP IN EDUCATION AND POSSIBLE SOLUTIONS*

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In connection with the purposes of our symposium, I wish to address several underlying questions. First, why does the problem of public leadership in public education exist? Second, why should groups and persons in leadership positions act to help resolve the problems of urban education? Third, why should such actors attempt to concert or coordinate their actions? Fourth, how might they attempt to do so? And, fifth and finally, what are the probabilities of doing so successfully?

To begin with, there are a number of factors that combine to discourage public involvement in urban education, which in turn tends to discourage public leadership. In his opening remarks, Bill Johnson has already brought out many of these factors, and especially those associated with the attempt to separate education from politics and related historical developments. To fully understand the problem of public leadership in urban education, we also need to recognize that the situation of city school boards has changed over time, and that they no longer are able to be as effective as they once were in providing for, and eliciting, public leadership. While city school boards still are indispensible, and perform many vital functions, their leadership abilities have been weakened by a number of developments that have occurred in the past two decades.

Of these developments, two seem most important. First, there is the problem of the exponential growth of the regulation of local public education

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by state and federal authorities and by the courts. The veritable blizzard of regulations, mandates, and court orders that has come down upon public education, especially in the cities, has severely constrained the ability of school boards to act. This legalization and bureaucratization of education by authorities external to the local school district also has resulted in much of the time and energy of school boards and school administrators being drained off by the requirements of attending to the implementation of these outside directives and the mountains of paperwork associated with them.

A second quite significant development which constrains the leadership ability of both school boards and school administrators is the advent, and growth in the importance, of collective bargaining with school district employees. In addition to being quite time and energy consuming, collective bargaining has changed and complicated the relationships between school boards, school administrators, and school employees. It is undeniable now that these relationships have taken on a more or less adversarial character that has eroded trust within the school system and perplexed and negatively affected public attitudes toward public education. When one adds to the developments I've just outlined the fact that the educational, social, and financial problems of urban schools also have snowballed during this same period, it is clear that urban school boards are <u>overloaded</u> with problems and constraints and are in need of help.

A final factor inhibiting public involvement and public leadership is one generic to all public or collective goods, such as public education. This is what the economists call the "free rider" problem.[1] A public or collective good is one which, if provided, is available to everyone and no one can be excluded. Clean air and national defense are examples of such goods. Very briefly, the difficulty with this property of collective goods is that it

creates a situation where it is not to the advantage of any rational individual to contribute to the provision of the good. Instead, it is to their advantage to take a "free ride," enjoying all the benefits of the collective good without incurring any of the costs of providing these benefits. To take the case of clean air,

> . . . it is to the advantage of any particular individual to continue to drive a cheaper car that pollutes the air rather than drive a more expensive car that does not pollute. If his neighbors all drive the more expensive car, he can have both clean air and a cheaper car. If his neighbors all drive cheap cars, he will have dirty air even though he pays the extra money for the non-polluting vehicle. Of course, his neighbors, if they too are rational, . . . will also drive cheaper, polluting cars. Since anyone can be a "free rider," everyone will do so. The result is dirty air until such time as all car owners are compelled to drive cars that do not pollute.[2]

The result, of course, is that collective goods ordinarily will only be provided if government undertakes them and <u>compels</u> everyone to contribute to their costs through taxation. But, even after this is done, as in the case of public education, a further "free rider" problem arises to bedevil us. Voluntary efforts by citizens to solve problems facing the school system benefit everyone whether they contribute to such efforts or not. Moreover, the larger the city, the more likely that rational individuals will perceive that their own individual efforts, by themselves, probably will make very little difference.

So, we again are faced with a situation in which most people will sit on their hands--<u>unless</u>, and this is where we come in, <u>unless</u> those with an <u>especially large stake</u> in the health of public education provide leadership and create structures and symbols around which citizens can rally in the belief that there <u>is</u> a means by which their contributions <u>can</u> make a difference.

Let me elaborate some reasons why the creation of such structures and symbols is so important. Citizens who are dissatisfied with the public schools have just two options. They can attempt to improve things by making their complaints known and backing them up with political action, or they can "give up" on a school system and "exit" to the nonpublic schools or to another school district.[3] Particularly in the absence of effective structures for citizen participation, political action, and public leadership, most citizens, unlike Tarryton smokers, "would rather switch than fight." That is, since they see little hope for the redress of their grievances by means of pleas or political action, they "exit" from the school system by switching to another system or by psychological withdrawal into apathy or alienation.

Another reason leadership and participatory structures and symbols are important is shown by a recent study in this metropolitan area. This study revealed that the number one reason young families gave for eliminating communities as possible places to reside was the reputation of the community's school system. It should be noted in passing, however, that ultimately the option of choosing the suburbs, or exiting to them, will lose, and indeed in some places already is losing, its value due to the problems of "spillovers" and the "urbanization of the suburbs" which Bill Johnson noted earlier.

Considerations such as these begin to answer our second question, "Why should groups and persons in leadership positions act to help resolve the problems of urban education?" Instead of relying mainly on altruism to move leaders to take action, we begin to see that self-interest, particularly if it is conceived in a broad and enlightened way, taking account of long-run and not just short-run costs and benefits, may make us see that we need to act. As a matter of fact, Rochester's schools have benefitted very substantially in the past from the efforts of community leaders who presumably acted

out of a combination of altruism and enlightened self-interest. A study of big city school boards in 1968, which concluded that an important factor in a school board's effectiveness is the degree to which its industrial community is locally owned, noted that,

> It is no accident, for example, that Buffalo, whose board has conspicuously and over a long period failed to get for its schools the financial support they require, is a city with an almost totally absentee-owned industry. Its captains of industry are not captains at all, but second lieutenants, with neither the power nor the interest in local affairs needed to jog their fellow members in the chamber of commerce and civic organizations to promote the cause of public education. The contrast with Rochester [which is] dominated by local entrepreneurs . . . is striking.[4]

If we conclude that an enlightened self-interest should move us to act, we may still ask, why should we attempt to concert or coordinate our actions? One answer, of course, is that we really don't have to, that there are possible, and perhaps more feasible, solutions to some of the problems of urban education which can take a less coordinated approach. One of the most appealing of these, and one that James Guthrie will elaborate upon later, is the school site management plan, which substantially increases the decentralization of decision-making to the school building level, and involves parents and teachers in making plans for their school in collaboration with their school principal.

As useful and desirable as schemes such as this are, they cannot help with certain kinds of problems which exist at the level of the school district as a whole. The frequent financial problems of urban school districts are one important example of this kind of problem. Another example might be certain kinds of disputes or controversies which cannot be easily resolved by school boards because of the constraints under which they now operate. In solving problems of these types, it appears to be useful to have citizens structures which can, in effect, perform the function of a third party mediator, fact finder, and problem solver.

A broadly representative citizens' education problem solving group may serve many individuals, many groups, many constituencies. As a third party it in some respects negotiates the public interest among boards of education, school employees, students, parents, citizens, and even state and federal interests. Third parties of this type can facilitate the making of important linkages between groups and levels of government needed for solving the complex problems of urban education. Third parties offer substantial leverage. They can reconfigure the landscape, alter the field of forces, achieve cooperation, and build coalitions.

One example of a third party, citizens' problem solving group is the Detroit Education Task Force.[5] It is worth looking at this Task Force because it illustrates how citizens and interest groups can coordinate their actions. This Task Force was created late in 1972 by the Detroit Board of Education and charged with problem solving responsibilities. Unlike many citizen' commissions which just study problems and write reports which then gather dust, the Detroit Education Task Force was intended to follow problems through to their solution. In doing this, it made formal written reports to the Board of Education each month.

The Task Force was broadly representative in its membership, which was set at 60 persons. All significant groups, public and professional, were represented. The Task Force set its own agenda and priorities and elicited suggestions from the school board and school employees as part of this process. The Task Force was assisted by a small, independent staff supported by outside funding. It was formally linked to the school system by a liaison officer appointed by the school system. This officer facilitated the flow of information to and from the school system. Finally, the Task Froce was divided into

three internal working committees: one on finance, one on organization and management, and one on teaching and learning.

A couple of examples of the things the Task Force did will give you a sense of its functions and accomplishments. The Task Force was created in large part because the Detroit Schools faced a serious threat of bankruptcy. So, much of the Task Force's efforts initially were devoted to complicated and protracted negotiations to resolve the fiscal crisis. Ultimately, the solution arrived at was to obtain an improved bond rating enabling the sale of several million dollars in deficit bonds, which made it possible for the schools to keep their doors open. This involved inviting in representatives of Moody's and Standard & Poor and arranging meetings with them and civic, business, banking, and school leaders.

For another example, the subcommittee on organization and management studied the administrative structure of the school system and presented a plan for its reorganization which has been implemented. Not surprisingly, the plan, among other things, called for a department of finance with a new fiscal officer. This officer, who was identified with Task Force help, has now developed a new fiscal information system, newly coordinated departments and divisions of payroll, personnel, and budget, and improved applications of computer technology to fiscal problems within the schools.

The final question we should address is, what are the probabilities of successful coordinated public leadership in urban education? The answer, of course, depends on the quality of leadership which can be elicited for such a venture and the spirit of cooperation it in turn can draw forth. Realistically, we obviously can't expect a "peaceable kingdom" to emerge suddenly. There are too many disparate interests for that. But, what we might hope for is

some ability to engage in dialogue which could reveal more clearly the common interests which reside among our disparate interests. And, to close on a wry note after all this talk of coordination and rationality, we always can take heart in the fact that the ambiguity of the ends and means of education is such that groups with conflicting interests and objectives not infrequently can agree upon policies simply because they each expect different outcomes from the policies. Cooperation of this sort, while not ideal, certainly is preferable to conflict and impasse, and moves us in the constructive directions that we seek in urban education.

NOTES

1. Mancur Olson, Jr., The Logic of Collective Action. (Cambridge, Mass.: Harvard University Press, 1965.)

2. Paul E. Peterson, "Community Representation and the 'Free Rider'," Administrator's Notebook, Vol. XXII, No. 8, 1974.

3. Albert O. Hirschman, Exit, Voice, and Loyalty. (Cambridge, Mass.: Harvard University Press, 1970.)

4. Robert Bendiner, The Politics of Schools. (New York: Mentor Books, 1970, p. 26.)

5. The account here of the Detroit Education Task Force is drawn from Luvern L. Cunningham, "Third Parties as Problem Solvers: A Case Report," a paper presented at the David W. Minar Memorial Conference on "The Politics and Governance of the Learning Community," Northwestern University, Evanston, Illinois, November 1, 1974.

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CREATING EFFICIENT SCHOOLS

"THE WONDER IS THEY WORK AT ALL"

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Imagine a company in which the directors and stockholders shared little agreement regarding the kinds and quality of materials and services to be produced, managers possessed little or no knowledge of a manufacturing technology, employees went almost completely unevaluated and had few incentives to work efficiently, and customers, though frequently dissatisfied, had virtually no choice but to continue purchasing the firm's products. Most public schools fit this description. The problem is, how to grapple and correct such seeming confusion.

Samuel Johnson, the noted 17th century English diarist, when asked his opinion of a famous dancing dog responded..."He isn't very good, but the wonder is that he can do it at all." Similarly, America's public schools are eternally under attack for being too costly and for falling short of the nation's educational goals. However, given many of the debilitating conditions which underly their operation, the wonder is they work at all. The purpose of this article is to describe the weaknesses which inhibit and erode the efficiency of schools, analyze the failings of past reform attempts, and suggest an alternative for creating effective schools which might be more successful in the future.

* This is an address delivered before the Rochester Urban League October 28, 1977.

For reasons to be discussed shortly, it is difficult to know whether or not America spends enough money on schools. However, one fact is clear: regardless of sufficiency, this nation spends an awesome amount. Fifty years ago, the national average school expenditure was less than $100 per pupil. Today, the figure approaches $1,500. Even when inflation is taken into consideration, this amounts to more than a five hundred percent increase in what is spent annually to educate our youth.

When examined in the aggregate, the figures are staggering. America's public school systems now spend more than $70 billion annually. This figure grows to more than $100 billion when private schools and higher education are included. By way of comparison, total federal government expenditures did not exceed $1 billion a year until World War I, and did not climb to $100 billion annually until after 1960. School spending usually constitutes the largest part of local and state government budgets, and on a per capita basis, only national defense, among public expenditures, costs more.

Despite, or in some instances because of, this high level of spending, schools have not succeeded in satisfying their clients. Critics such as Arthur Bestor, Hyman Rickover, and the Council on Basic Education assert that public schools are too easy and fail to place sufficient stress upon learning fundamentals such as reading, mathematics, and science. Commentators from the left such as Paul Goodman and Jonathan Kozol allege that schools systematically drain from children their individuality and creativity. Spokesmen for the business community frequently complain that schools are remiss in not teaching youngsters

skills necessary for holding a job. At the opposite extreme, Ivan Illich accuses schools of being too successful, of monopolizing access to employment by promoting an overly "credentialed" society.

Given such high costs and such a low opinion, it is no wonder that schools have been an intense target for change. Commissions, critics, councils, consumers, and Congress, all offer advice by the carload. Seemingly, anyone who has ever had contact with a school is replete with a slate of necessary revisions. The range of reform proposals extends from space age technology to stone age discipline. Some advocate enhanced teacher power through collective bargaining; others contend that schools can get better only with greater public participation through means such as "community control," or voucher plans. James Bryant Conant argued that schools were too small. Barker and Gump contend they are too big. Self-styled "Humanists" assert that schools have become impersonal, overly regimented, and devoid of the ability to provide psychological security. Some proponents of efficiency have argued that schools are not sufficiently "business like" with standardized goals and uniform production procedures. Both the range of suggestions and the persistence with which they are put forth appears infinite.

The reforms, and reformers, come and go, yet public schools evidence little substantive change. Scholastic aptitude test scores continue to decline, the public consistently reports that school discipline is too lax, courts persist in their efforts to dissolve student apartheid, employers and universities complain that high school graduates are ill prepared, disputes between school management and labor are increasing, and, as

stated previously, school costs continue to climb. In short, few reforms to date have succeeded. Something about schools renders them impervious to significant and positive change. Some might interject quickly that their particular "reform has not proven useless, it simply was never 'really tried'." That, too, is part of the problem. Not only can public schools absorb change and resume their original shape, but also, they are frequently able to resist reform efforts altogether. What is it that renders them so resilient? The answer resides in the failure of reformers to recognize fully the complexity of schools, the shortage of scientific knowledge regarding the learning process, the perverse nature of school personnel incentive systems, and the impotence of education consumers. We will explore each of these characteristics in a subsequent section. First, however, we turn to a brief explanation of the major strategies employed to date by those attempting to create more effective schools.

Twentieth Century Efficiency Efforts

Twice in this century, Americans have mounted major efforts to extract greater efficiency from their public schools. Both attempts were well intentioned, promoted by able persons, and favorably endorsed by the general public. Neither effort succeeded. Indeed, it is arguable that the first "efficiency movement" created several conditions which contribute to today's schooling malaise. The second reform effort, which is still in progress, possesses an equal potential for accomplishing more harm than good. Thus, in order to avoid previous errors, and reduce the probability of creating new ones, it is instructive

to review past attempts to make schools more efficient.

The "Cult of Efficiency"

The able historian, Raymond Callahan, labeled the initial twentieth century school reform attempts as the "Cult of Efficiency". During the period immediately after 1900, America's public schools were widely publicized as being in woeful condition. Student discipline and learning was thought to fall far short of acceptable standards. As the "mighty engine of democracy", public schools were failing to integrate immigrant and lower class children into the main body of American life. Moreover, public schools were tarred by the same political scandals, self-serving operating conditions as the remainder of government. As was then the widespread case with other locally elected officials, school board members in big cities were part of heavy-handed partisan machines. They were exposed as recipients of bribes and illegal rebates, selling patronage positions, and generally employing their public office for private gain. Schools were not managed in a manner which maximized learning nor minimized costs. The culprit was judged to be an excess of "politics" and a shortage of professional management.

In order to overcome the scandalous abuses and redirect the efforts of schools, Progressive Era reformers promoted two major corrective strategies. The first was intended to insulate schools from partisan politics. By eliminating elected ward school boards and consolidating governing authority in appointed central boards, officially designating school board positions as "non-partisan", and granting school trustees separate taxing authority, reformers hoped to reduce school reliance upon political

machines and concentrate decision making discretion in the hands of a small, highly visible elite. The latter would be drawn to office by the noble purposes involved in public duty and not by the potential for political power or private gain. The reigning model for school governance became the corporate board of trustees. The legislative model which had previously dominated was de-emphasized.

Schools doubtless became more distant from partisan political power brokers. Also, they became more distant from the public they were designed to serve. In this undertaking the opportunity was created for professional educators to assume a dominant position; they came to occupy the vacuum created by the dispossession of locally elected lay-decision makers. This effort at "depoliticizing" schools, in conjunction with the elimination of thousands of small rural school districts, reduced the national ratio of school board members from a former high point of 1 per every 200 citizens to today's average of 1 per every 3,000. Whatever the advantages of the new politically sanitized system, it involved high costs in terms of representative government.

The second reform component proposed by the "Cult of Efficiency" involved widespread deployment of "professional" school administrators. This action was justified on two grounds. The use of managerial experts would insulate educational operation further from the spectre of partisan politics and simultaneously render it more efficient. It was argued that the principles of "scientific management", then sweeping the private sector, could be transferred to schools. By using professional managers it would be possible to organize and operate schools in keeping

with expert knowledge. The presumption was powerful that such expertise either already existed or would soon be created by replacing lay-decision makers with professionals. The effort was to enable schools to benefit from the explosive industrial sector expansion in productivity.

At the turn of the twentieth century, educational administration was but a fledgling field. Professional school superintendents were rare; only in a few large cities had they been engaged on any substantial scale. Even there, no management bureaucracy existed in terms similar to today. Schools of education were only beginning to offer courses in "Administration". The new profession could benefit from a boost; thus, the opportunity to be thought of as "efficiency experts", to enjoy publicity similar to that accorded captains of industry, was a piece of prestige too attractive for professional educators to forego. Even if it involved promising feats which they could not then deliver, educators were quick to grasp the opportunity to expand the professional calling. Excesses in rhetoric would be compensated for by practical results once the field of educational administration was properly established and buttressed by the dynamic techniques and principles then available to manufacturing firms. The scientific management proposal was overwhelmingly accepted. From a small initial beginning in the last quarter of the nineteenth century, the numbers of professional school administrators expanded to today's peak of a quarter million.

The role of the professional school manager was provided with an ideological buttress. Consistent with the widely publicized admonition that "schooling and politics should not mix", policy makers, boards of education, were instructed forcefully

not to meddle in "administrative" matters. Policy making and administration were held to be widely separate domains. The latter was the sanctuary of the professional school administrator. Intrusions by school board members would erode the effects of the scientific management principles. This philosophy prevails to the present; school board members are still socialized into docile submission by the all pervasive fear of being accused of "meddling in administrative matters".

The "Accountability Movement"

During World Wars I and II and the intervening Great Depression, Americans were distracted by matters of greater moment than the conditions of public schools. Even following World War II, efforts to stay abreast of the staggering population growth bled away much of the energy which might otherwise have focused upon the education system's shortcomings. The major challenge was building necessary buildings and hiring teachers. Growth began to diminish in the late 1960's, and the level of criticism began to intensify. By 1970, sinking student achievement and rapidly rising costs were increasingly obvious. It was during this period that the second major twentieth century effort to achieve greater school efficiency was launched. It came to be known as the "Accountability Movement".

Accountability proponents did not always agree, except at the most abstract level, schools were not performing satisfactorily. A few advocated organizational revisions: big city school systems had become too cumbersome and needed to be "decentralized". Others agreed with this diagnosis but prescribed a more stringent remedy, "community control". However, the dominant

reform voices, as was the case with their early twentieth century predecessors, suggested greater reliance upon techniques widely used in the private sector. During and after World War II, business had developed an awesome battery of analytic and planning procedures for efficiently organizing workers and the manufacturing process. The general label for this management revolution was "systems analysis". These techniques and procedures were but logical extensions of the efficiency principles developed a half century before, but they had been honed to an extraordinary edge by the pressures of mounting a global war and thereafter building the world's most powerful economy. Use of highly technical terms and esoteric symbols imputed to the techniques an aura of objectivity and scientific precision. The systems approach was legitimized further by the pontification of high priests in secular temples such as university business schools. Lastly, the techniques carried the imprimatur of success. They had been tried where it counts, in war and in business, and they were proven successful. It was difficult for schools to resist such a prestigious set of reforms.

Accountability proponents sought to transform schools in the best image of technical-industrial America. At times it seemed as if courses in educational administration, school administrators, and schools themselves would be drowned in a sea of technical system terms. Program Evaluation Review Techniques (PERT), Program Performance Budgeting Systems (PPBS), Management by Objectives (MBO), Learner Verification, Zero Based Budgeting, Production Function Analysis, Competency Based Teacher Education, proficiency standards, and computer guided instruction were among the answers put forth by the new technocrats for solving problems

of inefficent schools. Despite the proliferation of jargon and diversity of labels, the major accountability efforts possessed sufficient elements in common to permit the following generalized description.

1. Goals

Modern day accountability techniques have as a sina qua non the specification of goals. In the private sector, management knows well what it is attempting to accomplish, usually the maximization of profits. Toward this end, any number of sub goals or objectives may be specified to signal movement toward the ultimate aim. However, assessment of progress, corrections where needed, orders for raw materials, rewards for workers, are all crucially dependent upon a concrete knowledge of what it is that an organization wishes to accomplish. Moreover, these goals have to be quantifiable or otherwise subject to empirical measurement.

As with industry, so it had to be for schools. States, the federal government, and school districts, have undertaken elaborate steps to ensure that schools state their goals. Techniques for goal setting have been widely publicized in educational literature and by training institutions. Many federal programs require as a condition of obtaining funding that the local educational agency conduct a so-called "needs assessment", a procedure which presumably tells you what services clients desire and, by implication, what you ought to accomplish. States have mandated that local districts implement Planning Programming Budgeting, a process which necessitates specification of objectives. Administration journals are filled with wisdom regarding "Management by Objectives", another scheme which depends for its success upon the ability to distill

goals and measure progress toward them.

2. Measurement

In the logic of "systems" accountability, measurement is next only to goal setting in importance. Indeed, the contemporary accountability movement has provoked something of an educational obsession with measuring. The majority of states have mandated uniform testing programs for all local school districts. The federal government subsidizes a national testing program, the NAEP, National Assessment of Educational Progress. School districts have reacted by expanding their own testing programs. Colleges, graduate schools, employers, and the armed services have contributed to the measurement mania by utilizing one or more of an alphabetic arsenal of exams, CTBS, ITED, PSAT, SAT, GRE, LSAT, GED, CHSPE, etc.

The proliferation in testing is intended to enable educational agencies to assess their progress toward the previously referred to goals.

3. Feedback and Rewards

In keeping with the technical-industrial systems model for accountability, it is necessary to establish a link whereby measurement results are employed to re-align or reward production. Accountability proponents have not fared well in this regard. For reasons to be explained in the next section, it is difficult to know what correction to make if one or a group of students is performing poorly. Equally important, linking positive and negative sanctions to test results is precarious for the pupils involved. For example, Michigan established a system whereby added state funds were awarded to schools with concentrations of

low achieving students. A state testing program was mandated, and if test results did not increase in a reasonable period of time, funds were to be reduced. The obvious problem, fewer resources jeopardizes the ability of performance scores ever to improve. Conversely, to continue allocating extra funds appeared to be wasteful. To require that the funds be used in a different fashion, that personnel be changed, or that an organizational rearrangement take place involved the exercise of greater state authority than seemed politically feasible. Also, using test scores as criteria for either positive or negative sanctions is highly distasteful to professional educators. The general outcome among accountability advocates has been to exempt schools from this component of the systems logic. The possibility that this exemption emasculates the entire concept has apparently not dampened the ardor of some technical-industrial systems model proponents.

4. Specifying Process

Recognition of the several weaknesses in the systems variation of the technical accountability model has motivated some proponents to attempt to specify processes. The prime focus of this effort has been teacher training. The fashionable reform label is "Competency Based Teacher Education". At last count, at least ten states had enacted laws requiring that teacher training institutions and licensing procedures reflect the CBTE approach. The concept is abundantly sensible. Teachers should acquire scientifically derived instructional techniques which enable them to teach children on dimensions such as reading, counting, and writing. The licensing of the teacher should depend upon his or her ability to demonstrate the particular set

of competencies in question. What better accountability mechanism could there be? If the objective is to have children learn specific skills or subjects, then first ensure that teachers are trained to teach those skills effectively. Approximately $50 billion is expended annually for the salaries and fringe benefits of America's teachers. CBTE would appear to be a sound beginning for ensuring that such an awesome amount is well spent.

What Went Wrong?

Present and past efforts to enhance school efficiency have failed. Progressive Era reforms of a half century ago sanitized schools politically but did little to bolster student learning or reduce costs. Indeed, by reducing citizen participation, the turn of the century reform effort contributed to the creation of a publicly insensitive, professionally dominated education system. This lack of responsiveness was one of the ills that contemporary efficiency advocates attempted to redress by the injection of systems procedures and other technocratic reforms. Efforts of the latter reformers appear to be headed for an equally fruitless future. By promising more than they can deliver, accountability enthusiasts may be contributing to the disappointment with public schools.

But why have efficiency experts and systems analysts failed? Their difficulty cannot be attributed to malice, stupidity, or lack of legislative support. Their ideas were listened to, enacted, and funded. Every level of government tried one or more of the efficiency and accountability strategies promoted. Rather, the failure is the technocrats' inability to understand the fundamental misalignment between the assumptions underlying private sector production and the operating conditions characterizing America's public schools.

The following five public school characteristics differ sufficiently from conditions in the private sector to inhibit significantly the imposition of a conventional technical-industrial efficiency or accountability model: (1) There exists little consensus among the general public as to the goals of education. (2) Technology for assessing progress toward educational goals is primitive. (3) There exist little by way of a solid body of scientifically validated knowledge regarding "production" techniques. (4) Schools have little control over the quality of "raw material", students, with which they must work. (5) Public schools hold a monopolistic stranglehold upon the majority of their clients. Any one of these conditions singularly, renders public schools an unlikely setting for a technocratic approach to enhance efficiency. Taken en masse, these conditions result in the technical accountability models being massively inappropriate. In fact, as argued in a subsequent section, "efficiency" in the standard economic or technical sense of the term, is not presently applicable to public schools and should be replaced by another measure of accountability, reasoned responsiveness to public preference. Before taking up this argument, however, the above-listed five conditions are worthy of expansion.

Disagreement Over Objectives

Despite the intense desires of accountability proponents, there exists little public consensus over the purposes of schooling. This is not a modern day malady; Aristotle took note of the condition over two thousand years ago. However, in that America has come to expect ever more of its schools, the problem has intensified. The difficulty does not take the form of a complete

absence of agreement about priorities. Schools frequently are able to generate long lists of objectives each one of which is laudable. Controversy arises in attempting to assign priorities. For instance, is it more important that children learn to read and count or that they be well adjusted personally and able to engage in productive and friendly exchanges with their peers? A good argument can be, and repeatedly is, mounted for both positions.

Strife becomes even more intense when an effort is made to assign resources to the accomplishment of any particular objective. Disproportionate teacher time, materials, or money allocated to attaining one goal necessitates displacement of resources from another. The more precise goal setting becomes, the more clear become the dispossessed or losers in terms of resource allocation. In order to dampen conflict, public education has long avoided efforts to specify objectives. Systems approach mandates in this regard are typically emasculated in one or a combination of ways: (1) by stating goals in such an abstract manner as to be vapid and devoid of meaning, e.g., students will learn those skills necessary for productive employment, (2) by avoiding ranking objectives, or (3) by funding all objectives equally. The compilation of a long list of equally weighted expectations, many of which may be antithetical, provides no useful standard against which to judge school progress, but it has the advantage of diluting political conflict.

Measurement Difficulties

Despite the fact that test construction is one of the oldest facets of pedagogy, many technical questions remain. Testing in the United States was promoted historically for purposes of selection. This led to development of tests which have as their prime value, ability to predict the subject's performance in some other undertaking. The Law School Admissions Test (LSAT) is a useful example. It does not purport to examine an individual's knowledge of law. Rather, it attempts to assess ability to perform tasks judged important to succeed in law school. It has predictive validity, but it does not necessarily measure what an individual has learned in school. An accountability system depends crucially upon measuring a student's knowledge at the beginning and end of an instructional period, and determining the difference. This is known as a criteria referenced or competency based test. It must cover the same subjects as those to which the student was exposed in class.

Examiniations of this nature are presently receiving increased attention from educators and test makers, but difficulties remain. Space limitations prohibit a complete listing of such problems, but an illustration may suffice as evidence. "Grade equivalency" scores have proven popular with educators and the public alike. A student's performance on a dimension such as reading can be reported by grade level. A score of 3.5 suggests that the pupil reads at a rate equal to five months into the third grade. If the child, in fact, is in the seventh month of the second grade, we can judge reading progress to be substantial. However, underneath this factual tip looms a huge iceberg of technical complexity. With some tests, the difference between a score of 3.5 and 3.6 is correct

identification by the student of two or three additional vocabulary words. Is such a slender difference an appropriate proxy for a month of schooling? Whatever the answer, this is far from the level of empirical precision utilized by most producers in the private sector.

Absence of Scientific Principles

Education continues to be more of an art than a science. At some point in the future this may change, but a precise technology of pedagogy is not in the short run offing. It is clearly the case that some teachers are extraordinarily effective and many teachers, by careful examination of successes and failures, perfect techniques which are useful with their pupils. Nevertheless, systematic efforts to discover a set of almost infallible principles which would enable a teacher to stretch the achievement of a pupil from point "A" to point "B" during time X simply has not come about. Technical knowledge in this regard provides little basis for prescribing uniform modes for instruction or for judging a teacher's instructional behavior incompetent. Learning continues to be a wondrous interaction of personalities and environment, of which instructional techniques are a part. (It is made no more simple by virtue of the fact that it typically takes place in a classroom of approximately thirty students.) If physics and engineering technology were the equal of pedagogy, we could anticipate a lunar landing sometime in the twenty-second century. Analogies aside, there exists little in the science of instruction to justify policy mandates regarding "teaching competencies". Legislators might just as productively spend their time attempting to repeal the law of gravity. It is

the absence of a scientific base, in conjunction with the previously-described goal specification and measurement problems which makes it difficult to ascertain whether or not America spends enough, or too much, money on schools.

Ability to Control "Raw Material"

Quality control in the manufacturing process depends upon being able to obtain raw material uniformity. Public schools enjoy no such luxury. It is not simply that genetically endowed learning potential differs with each child, it is also the case that extra-school influences are highly variable and largely beyond the control of educators. This condition prevails before a child is old enough to attend school and continues throughout the schooling period. Students typically spend 14,000 hours in school up to high school graduation. Increasingly, it is a rare student who has not watched television at least that many hours outside of school. Given the potential for outside factors to exort such a powerful influence upon learning, it is understandable that teachers resist being held responsible for students learning a prescribed amount of knowledge. The inability to control for outside influences upon learning, as much as any other single factor, has impaired the success of the systems approach to school accountability. This impairment has prevented holding schools and educators accountable. Along with c ncepts such as "IQ", and "learning disability", the influence of the child's social environment has provided a major escape valve for public education.

Monopolistic Tendencies

Competition for markets is held to be a critical component of the free enterprise system. Competition, according to proponents of capitalism, engenders sensitivity to consumer preferences. To the extent to which consumers have a reasonable choice among products and services, with their purchases, they can cast a "vote" for the quality and price level closest to their tastes. At least in the abstract, a supplier's failure to respond sufficiently to consumer preferences will, in time, result in reduced profits or bankruptcy. Public schools are not subject to such a market mechanism. Private school attendance in the United States rose to a peak of 14 percent in 1968. Since that time it has fluctuated at a substantially lower level. For most parents there is no option but to have their child attend a public school. Our system of school finance imposes a double cost, both public taxes and private tuition, for those choosing other than a public school education. This is a burden the overwhelming majority of households cannot bear. The result is that public schools are assured of their clientele. Reductions in "quality" or increases in "price" (taxes) are not likely to have a direct effect upon public school enrollments. Indeed, given the success of Progressive Era efforts to dilute public participation, changes in quality and price are not likely to have much of a political effect either.

Inverted Personnel Incentives

The relative impotence of instructional technologies, impediments to specifying and measuring educational progress,

absence of control over the out-of-school student environment, and a weak market mechanism, have resulted in a public school incentive system which fails to reward productivity. Because of difficulties in linking student learning to instructional activities, teachers tenaciously resist salary arrangements which recognize merit. The only conditions permitted to differentiate one teacher's pay from another are years of experience and amount of training, two factors which bear a dubious relationship to instructional ability. Uniformity characterizes teacher pay plans; both good and bad instructors are blanketed by the same salary schedules.

Public school incentive systems are made worse by a set of conditions prevailing outside of classroom instruction. It typically is the case that teachers are the lowest paid of a school district's professional employees. Ranging above teachers are instructional "specialists", counselors, principals, department chairpersons, supervisors, coordinators, directors, and a host of other central office personnel. Each of these positions receives higher salaries, has more control over time and schedule, more interaction with adults, greater privacy in which to work, and is generally accorded higher status. In short, if you want to improve yourself and "get ahead" in public education, then get out of the classroom. The way to success is by putting distance between yourself and students. What other institution rewards its employees for disassociating themselves from the organization's primary function.

What Can Be Done

On balance, this nation has been well served by its schools, and public opinion polls continue to demonstrate that Americans have more faith in them than any other major government institution. It simply is the case that we presently find them to be performing in a less than desirable fashion. However, given the above described inhibiting conditions, "the wonder is they work at all". Still, it is not within the American national character knowingly to permit one of its major public institutions to remain crippled if relief is possible.

The obvious question, what relief? If other well intentioned school reform plans have failed, what can succeed? The following section suggests several alternative practices intended to transform public schools into more effective institutions. However, a strong caveat is in order. Those desirous of more "efficient" schools, in the standard understanding of that term, are doomed to disappointment, at least for the foreseeable future. The overwhelming proportion of school revenue is involved with personnel costs. There appear no reliable technologies on the horizon which will alter this condition. Consequently, except for the 10 to 15 percent of school expenditures allocated for material items, the prospect is slight for substituting capital for labor, a conventional efficiency measure in the private sector. Another conventional private sector approach, the systems model, is inappropriate for the reasons described already.

The recommendations presented here, if implemented, will result in a different measure of efficiency. Instead of concentrating on obtaining a conventional combination of higher productivity and lower costs, the following reforms are intended

to make public education a responsive institution which permits consumers to exercise voice and control so as to shape schools more closely both to their private preferences and to the public welfare.

Prescription for a New Efficiency

What can be done to increase an institution's efficiency when neither its purpose nor its processess easily lend themselves to evaluation. There are several solutions to such problems of indeterminancy: some relying upon individual efforts others necessitating collective actions. They can be applied either singularly or in combination. Whatever their precise form, they entail a reformulation of the concept of efficiency when applied to schools. These models assume that responsiveness is a more appropriate definition of efficiency than profit when considering the public sector.

The solution to the problems of indeterminancy is a seemingly antithetical combination of conditions. The evaluation system must permit complicated, subjective, and even illogical judgments, and simultaneously, communicate them with an agreed upon, standardized, and equitable format. There are at least two systems which encompass such conflicting conditions; one is the political process and the other is the market mechanism. Each depends upon innumerable subjective judgments and disaggregated individual actions, but channels the expressions of such assessments in a fashion which enhances institutional responsiveness. The following recommendations translate each of those strategies, political participation and market incentives, into specific tactics designed to enhance school effectiveness.

1. Reduce Expectations

It has come to be the case that public education is charged with accomplishing more purposes than is reasonably possible. The overload immobilizes schools and contributes to a lack of focus and loss of purpose. Also, responsibility is diluted for accomplishing any particular objective or even a reasonably restricted slate of objectives. Out of the seemingly infinite array of educational purposes, a few must be distilled as both important and within the realm of public school capability. Only when this is accomplished will measures of "efficiency", however defined, show improvement. Accomplishing this reduction in expectations can be facilitated by taking the step recommended below.

2. Schools As The Basic Management Unit

Public education presently is controlled by school district, state and federal decisions. Budget allocations, personnel deployment, collective bargaining, facility planning, purchasing, etc., are shaped by district governments or a central office which generally arrives at decisions by applying a uniform set of standards. Centralized decision making reduces the opportunity of tailoring educational programs to the preferences of clients. The point at which most households identify with a school system is at their particular school site. As long as the bulk of important decisions are made at another locus, accountability will be impossible. Dissatisfied parents and students will be told that the problem results from the actions of the state or "Downtown". Indeed it may, but the opportunity then for parents to voice objection and seek redress is reduced. In order to

eliminate this possibility, individual schools must be made the basic unit for management purposes.

3. Principal Power

If the local school is to be held responsible for delivering satisfactory educational services, then it must be empowered to make important decisions. Moreover, in order to hold the system "accountable", it is imperative that there be a chief executive, the principal. Principals should be regarded as crucial to the success of an individual school, and they should be accorded decision making discretion commensurate with their responsibility. They should be able to control the discretionary portion of their building's budget and that should be made as large as possible. Also they should be given control over the employment and dismissal of school personnel. Technical problems of allocating lump sum amounts per school and permitting principals to make specific budget decisions have been resolved, and such systems are presently operating in several school districts throughout the United States.

4. Parent Participation

In order to overcome the distressing effects of Progressive Era efforts at depoliticizing public schools, a closer link must be constructed between schools and the community they serve. One mechanism for accomplishing this purpose is the formation of a parent council for each school site. Eligibility for participation and mechanisms for selecting members can vary, but it is important that this group possess significant decision making authority on at least one dimension. The principal is intended as the chief executive officer, and he or she is the individual to be held most accountable for the school's success

or failure. Consequently, the parent council is advisory on dimensions such as budget allocation, personnel selection, and textbook purchase. However, the exception to their advisory role is with regard to the principal. Parent councils should participate heavily in principal selection. Principals should be assured a three to four year contract, a period of time sufficient to implement programs and be evaluated. Thereafter, the renewal of a principal's contract should be a joint undertaking between the district's superintendent and the individual school's parent council. Each party may exercise veto power.

5. Performance Reports

In order to ensure that the public, particularly members of parent councils and households using a school, are well informed, each school should compile and distribute an annual performance report. The contents of this document might vary from school to school, but it should have at least the following minimal components: A description of the school; its personnel, and its program. An explanation of the previous year's budget and expenditure plans for the forthcoming year. An analysis of the school's student achievement, including items such as test scores and follow-up studies on graduates. An assessment of the school's weaknesses and a plan to correct them.

6. Expansion of Choice

In order to take greater advantage of the beneficial features of the market mechanism, public schools should attempt to expand the range of choices for households. In densely populated areas this may be accomplished by clustering schools and permitting parents and students to choose from among several

neighborhood buildings offering different programs. Where distance or other factors render choice between buildings cumbersome, minischools or schools within schools may accomplish the same end. Also, for purposes outside the scope of the school's main instructional program, e.g., music, art, and occupational skills, schools could utilize "school stamps" the value of which might be in inverse proportion to household income. These could be redeemable either at public schools or in competing private, nonsectarian institutions. Such a plan would assist in reducing the purposes of schooling to a reasonable level. Regardless of the details, the intent is to alleviate the disadvantageous monopolistic stranglehold public schools presently have upon their clientele.

More Visible Collective Bargaining

Increasingly states are enacting public sector and public education collective bargaining legislation. In most every instance, the model being adopted is that used in private sector labor-management negotiations. For reasons in addition to those explained earlier in this paper, private sector bargaining procedures are not entirely appropriate for public schools. For example, both parties to a private sector contract must assess the effects of higher wages upon the firm's market. If the product quality drops significantly below or price levels exceed those of competitors, the possibility exists, on one hand, for lower profits and, on the other hand, for employee layoffs. This pressure restrains the proposals and counterproposals from both parties. In the instance of public schools, a monopoly; the response pattern of consumers to new prices is not a consideration.

"Consumers" must pay their property taxes whether or not they like the contract.

One means by which collective bargaining could be better adapted for the public sector is to permit heightened citizen involvement. A number of mechanisms can accommodate such a goal. For example, bargaining sessions can be held in public, attended by selected parent representatives, televised, or opened to the press. Whatever the particular solution, the objective is to inject a substantially greater degree of public preference into the deliberations. A public school student once stated during a teacher strike, "Teacher working conditions are my learning conditions. When do I get to explain that at the bargaining table?"

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MANAGING URBAN SCHOOL SYSTEM RESOURCES: NEW PROCEDURES, ADDITIONAL ACTORS

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SUMMARY OF THE PAPER

In recent years urban school systems have had to face unusually severe economic constraints. Whether or not this state of affairs is in part their own doing is immaterial. In the process of adjusting to these constraints, urban systems will likely seek new ways to reallocate existing resources and will undertake more cooperative ventures with other organizational entities in order to gain access to additional resources. While there is not sufficient evidence to indicate trends in these areas, several notable examples exist and are discussed here.

BACKGROUND

Enrollments are going down. School expenditures continue to rise. However, traditional revenue bases for schools have not grown as rapidly. Business leaders, tax-conscious property owners, and others who provide school revenues question the high expenditures in schools and are increasingly reluctant to continue to increase levels of support for the schools. Educators, on the other hand, complain that schools are woefully undersupported. The resulting tension between the providers of school revenue and the "education community" is historic and continuing. However, recent trends, especially for urban school systems, indicate that the tensions are increasing.

From 1970 to 1975, the U.S. school-age population (ages 5-17) fell from 52,546,000 to 50,277,000. This was a drop of 4.3 percent or an annual rate of decline of 0.88 percent.[1] Decline, however, has not been evenly distributed: urban school systems have tended to show greater than average decline. (See Exhibit 1)

EXHIBIT 1

Changes in Average Daily Membership in
Selected Urban School Systems:
Annual Rate, 1970 to 1975 [2]

New York	-0.78 %
Chicago	-1.26 %
Detroit	-2.97 %
Cleveland	-3.11 %
Memphis	-4.45 %
Milwaukee	-2.79 %
New Orleans	-3.14 %

The fall-off in the number of children served by many urban school systems has not been accompanied by any reduction in expenditures. In fact, fixed cost commitments have combined with declining enrollments to produce significant increases in expenditures per pupil.[3] (See Exhibit 2)

Inflation accounts for some, but by no means all, of the expenditure increase. Spending per student over both periods recorded a much stronger advance than the consumer price index in each city.[4] Another measure of prices - the gross national product deflator reflecting the prices of goods and services purchased by state and local governments - might be a better indicator of the price pressures experienced by school districts. However, expenditures per student also advanced more strongly than this index. For a sample of six urban school systems (New York, Los Angeles, Chicago, Detroit, Houston, and Milwaukee), total expenditures for schools have increased an average of 10.1% annually (12.2% on a per pupil basis) over the last several years. For these same cities the average annual CPI increased only 7.6% and the GNP deflator for state and local governments increased only 8.5%.[5] If the data reported here are indicative of general trends in public schools, then school administrators have not been very successful in controlling costs in recent years. There may well be severe declines in revenue in individual urban school systems. However, this "decline" has not been reflected in the spending patterns of many urban systems. Part of the source of this problem is traceable to the fact that, often, declining enrollments have not been matched by cutbacks in personnel.[6]

While revenue increases over the last five years have helped to offset increases in expenditures, some urban school systems have still

EXHIBIT 2

EXPENDITURES PER PUPIL (ADM) [7]

	1975/76 Actual	% of change 1968/69 to 1975/76	% of change 1972/73 to 1975/76
New York	$2,505	113.6	44.1
Chicago	1,817	108.9	27.2
Philadelphia	2,452	na	62.8
Detroit	1,545	117.0	38.2
Houston	1,139	129.6	43.5
Dallas	1,362	na	na
Cleveland	1,868	121.9	na
Memphis	1,268	na	na
Milwaukee	1,923	169.3	58.7

found themselves spending in excess of revenues. One measure of this phenomenon is the cumulative deficiency of revenues over expenditures for a period of years and a comparison of this figure with the cumulative revenues over the same period. In a comparative analysis of nine urban systems only five have been able to maintain a cumulative surplus during the last three years.[8]

While total revenues from all sources for many urban school systems have increased over the last five years, the mix of sources has changed. In many cases, while the revenue from local taxes represents a declining proportion of total revenue, it still constitutes a significant component of the revenue package. Continued growth in the property valuations of the urban municipality remains an important factor in the financial outlook of urban school systems. Property valuations in cities have continued to increase but at rates less than increases in rates of expenditures of the school districts in those cities. (See Exhibit 3)

While the figures presented above require much greater analysis and interpretation, they are suggestive of several possible implications. For one, spending patterns of urban school systems will be altered to reflect enterprises on the "down side" of the business cycle. There will be increasing concerns with cost controls, efficiency measures, divestiture, overhead reduction, most of which will imply reduction in the level of services currently delivered. The dollar implications of decisions will become more important.

Two, while the educational "quality" of a school system has always been intimately tied to the financial "health" of the city and vice versa, there will be an increasing awareness of this mutual interdependence in years to come. This awareness will be reflected

EXHIBIT 3

COMPARING INCREASES IN EXPENDITURE WITH INCREASES IN PROPERTY VALUATION [9]

	Five Year Percentage		Five Year Growth (Decline) in Full Valuation (Dollars in Millions)		
	Increase in Absolute Dollar Basis	Expenditures Per Pupil ADA Basis	Most Recent	5-Years Earlier	Percent
New York	$71.0	74.0 %	$81,303	$58,797	38%
Los Angeles	78.0	81.9	55,090	38,293	44
Chicago	40.5	57.7	36,734	29,720	24
Detroit **	40.7	63.2	10,093	11,439	(12)
Houston	52.4	66.5	15,449	9,213	68
Milwaukee	88.4	125.4	7,285	5,073	44
Averages ---	61.8	78.1			34.3
(Annualized)	10.1	12.2			6.0

** Decrease due to enactment of Single Business Tax Act, exempting inventories from ad valorem property taxation.

not only in increased cooperative working relationships between corporations and school districts, but also in an expansion of cooperative school relationships involving a variety of external entities. Many external bodies have historically sought to involve themselves in schools: this is not new.[10] However, as urban educators search for ways to maintain or improve the quality of educational services in the light of financial decline, they will increasingly seek the resources of other organizations: this is a relatively new phenomenon.

Three, in the process of entering cooperative relationships with other entities, the goals of school systems will shift to reflect, in part, the concerns and aspirations of those entities. "The successful exchange of goods and services is dependent upon individual benefit, as well as mutual agreement. This basic tenet of economics should be adopted by school systems as they interact with other sectors of society." (Dr. Joseph P. Hannon, General Superintendent, Chicago Public Schools)[11] Cooperative relationships with other organization will represent a benefit to those organizations as well as to the school system.

Cooperation may be one way in which urban school systems may adapt to shrinking resources. This involves adopting relatively new strategies to reallocate constant or shrinking resources and to increase access to additional resources. The strategies are aided and abetted by other organizations which also stand to gain from improved working relationships with urban school systems. While it is much too soon to ascertain whether these speculations represent sustained trends, there are enough examples of these phenomena to warrant investigation and comment.

Four strategies for reallocating existing resources in school systems are discussed below: zero-base budgeting, long range planning,

internal audit functions and systems for personnel development. This is followed by a description of two strategies for generating additional instructional resources, one involving career education, the other involving innovative organizational arrangements of the school system.

REALLOCATING EXISTING RESOURCES

A number of school systems have developed new systems to manage their resources. In several of these instances "outsiders" (non-educators) played important roles in the design and implementation of these systems. Three of these systems are discussed briefly below.

Zero-Base Budgeting

With ZBB a school board and its top administration are saying: "We want to see what our unit managers propose to do if provided with several alternative budget appropriations. We will then evaluate these proposals, compare them with available revenue, and then make our appropriations. Further, the superintendent will use the proposals to evaluate the units in the system during the year."

The basic building block in ZBB is the decision package. There is one decision package for each of the programs or activities of the school system, for example, elementary level language arts, trainable mentally retarded, advanced placement physics, accounting, personnel. An administrator is assigned responsibility for developing an individual decision package. This includes: (1) stating the purpose of the activity; (2) drawing out the consequences of not performing it; (3) listing measures of performance; (4) specifying alternative courses of action; and (5) delineating costs and benefits.

The administrator initially develops a base-case, e.g., "business as usual," decision package, and then considers two classes of decisions:

(1) alternative ways of performing a function and (2) alternative levels of effort (for the most desirable way of performing the function). An example of a decision package for "Junior High Programs - Math" is shown on Exhibit 4 (drawn from the initial of Greece, N. Y., Central Schools Zero-Base Budgeting project). In this example four alternative levels of effort are considered, "preferred," "current," "reduced," and "minimum." The dollar consequences of these alternatives are contained on a separate sheet provided by the business office.

After the decision packages have been developed, they are ranked in order of decreasing benefit or importance.[12] Packages are grouped and ranked as they are assembled up through the hierarchy of the school system. For example, all elementary level instructional packages are ranked first. Then these packages are ranked at a higher level along with junior high and high school instructional programs.

Price tags are attached to the decision packages before the ranking process is completed. A decision package which is ranked below expected revenue levels would not be funded. Rather, it could only be funded if: (1) revenues increased beyond expected levels; or (2) the package was given a higher priority (thus eliminating another package); or (3) by reducing the levels of effort of higher priority packages (thus freeing up money that could be allocated to the low priority package).

In many respects it can be argued that ZBB can accomplish nothing more than tough minded management.[13] However, as it is currently practiced by governmental and educational organizations, there are at least two components that make such a system particularly useful now: description of the effects of possible reductions in a unit's allocation before budgeting decisions, and systematic analysis of alternative ways of providing services. As part of ZBB processes,

GREECE CENTRAL SCHOOL DISTRICT

DECISION PACKAGES

(1) Package Title	(2) Code	(3) Prepared By	(4) Date
Junior High Programs - Math	A1-3-220-2-bb-0-260	D. Perrine	11/8/76

(5) Statement of Purpose

Mathematics for 7-8 students is defined by:
a) a discrete core of minimal basic skill objectives grouped by category and grade level and formalized by computer assistance
b) math activities which apply basic skills on the horizontal level
c) math experiences which enrich and extend the knowledge of mathematics

(7) Mandates, Restrictions, Constraints

1) Mandated by State Regents regulations
2) Interface with support services
3) Field trip constraints

(6) Quantitative Measures

1. All 7-8 students - approximately 2,085
2. Class time: 5 days/week, 45 minutes/period
3. Three schools with 24 Math teachers and administrators

(8) Assumptions and Other Considerations

1. Benefits of an articulated K-12 District-wide Math program
2. Mission Characteristics of Basic Skills, Instructional Program, and Evaluation and Reporting

PREFERRED

(9) Description of Actions (Operations)

Increase Current program to include:
a) Remedial (PSLN) Math Labs supplied with 3 teachers, 3 aides, and appropriate materials
b) Computer capability for skills drill and practice, enrichment work, and programming in each Junior High
c) A textbook for every student (25% at Britton Road, 40% at Athena Junior, 0% at Hoover Drive)
d) Ability grouping of students

(10) Achievements/Benefits

a) A program capable of dealing effectively with both remedial and talented Math students
b) A more stimulating learning environment
c) More effective use of teacher time

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CURRENT

(9) Description of Actions (Operations)

Maintain current number of staff and program to include:
a) Full-time Math Teacher Aide at each school
b) An increase in equipment and supply budgets by 15%
c) Maintain current level in textbooks

(10) Achievements/Benefits

1. Provides effective Math instruction for all students
2. Provides for identified District priority curriculum development work
3. Provides students with real-world Math experiences
4. Provides adequate resources - textbooks, supplies, and equipment - for each student

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EXHIBIT 4.14

GREECE CENTRAL SCHOOL DISTRICT

ALTERNATIVES

(1) Package Title	(2) Code	(3) Prepared By	(4) Date
Junior High Programs - Math	A1-3-220-2-bb-0-260	D. Perrine	11/8/76

REDUCED

(9) Description of Actions (Operations)

1. Eliminate M.A.P.
2. Eliminate existing Math Resource Centers and Aides
3. Eliminate Math ATL position

(11) Consequences of Adopting Alternatives

1. a) Stagnation of program
   b) Adequate supplies and equipment not available to students
2. a) M.A.P. goals would be unattainable
   b) Computer costs would be reduced

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MINIMUM

(9) Description of Actions (Operations)

1. No increase in Equipment and Supply budget items
2. Eliminate M.A.P. mastery testing

(11) Consequences of Adopting Alternatives

1. a) Less attention would be paid to basic Math skills
   b) Other means would have to be found to meet the requirements of Chapter 241
   c) Computer costs would be reduced
   d) District-wide data basis in Math would not be available
2. Team structure would have to be modified to meet the needs of students now using the Math Resource Centers
3. a) Effective use of teacher time would be reduced
   b) Inter-school communications and program management would be cut back

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EXHIBIT 4 (Cont.)

administrators are often required to describe the least detrimental cut back in service for a specified percentage reduction in allocation (e.g., "How would you reduce service if your budget were reduced by 10%?"). Also, they are asked to describe what additional work could be expected from the unit if additional resources were allocated to it (e.g., "How would services from your unit increase if your unit were appropriated 10 percent more than its current allocation?").

In one school district the decision packages were made public at hearings and members of the community were also asked to suggest alternative (less costly) ways of providing the same service. Several of the resulting ideas were used to effect reductions in the budget before final approval. In that instance the budget was approved on the first vote, which was not the case the year before.

The experience of the Greece Central School District, New York, in implementing ZBB is instructive as an example of how corporate expertise and community involvement were utilized to design and implement the system for the district. The "School Cost Analysis Team" in Greece consisted of professionals from Eastman Kodak, Xerox, Tobin Meats, the University of Rochester, the Diocese of Rochester, community representatives and the Assistant Superintendent for Business Affairs in Greece.

Expertise on the team included cost accounting, budgeting, business affairs and general educational administration. The committee members served without pay, but were willing to contribute their time because the activity represented a stimulating professional challenge. Since the initial year, the Greece experience has received attention throughout New York State as an example of successful ZBB implementation. ZBB was successful in that voters felt that school expenditures had

been subjected to relatively rigorous, objective, and systematic scrutiny.

Long Range Planning

Another system for resource management, one which is receiving increased attention in the public sector, is strategic, or long range, corporate planning.[15] A long range, strategic planning process is a means for a board of education and its superintendent to say: "We've carefully examined the present and future circumstances facing our system and have identified about a dozen issues that we wish to focus our attention on over the coming years. We will use these issues as a basis for developing and managing the operations of our school system. Sure, we desire to improve all aspects of our school system, but we are particularly concerned about improvements in these twelve areas."

Long range planning is a systematic and formalized process designed to convert opportunities into organizational objectives, strategies, and action plans. The essence of planning is to take current operations toward desired objectives within a time span beyond the current year. While similar in purpose to ZBB, long range corporate planning is more "top down," and reflects more the organization-wide priorities of the board of education and the superintendent. Planning activity is initiated in the upper echelons of management and is filtered downward through the organization to succeedingly lower levels of management. This approach requires a strong influence of school system direction and leadership to promote the organization's principal interests, objectives, constraints, and strategies.

The long range planning process begins with the development of a system-wide plan. The system-wide plan includes a mission statement;

an assessment of the legal, economic, social, and demographic environment; an assessment of the organization, especially its major strengths and weaknesses; identification of the priority issues facing the system; the long range goals for each priority issue; statements of the strategy for reaching each goal; and a summary of planning guidelines to be communicated to the next planning level down in the organization.[16]

In the very large urban systems, the system-wide plan would be handed down to area superintendents who interpret the system-wide plan for their own area and develop strategies for action accordingly. After the area-level plans are reviewed and modified at the system-wide level, they pass to the building principals where a more specific version of the same process would be repeated.

Building level plans are then aggregated up through the areas to the system level where they are all reviewed against the criteria of the system-wide plan. The revised plans are then used as a basis for budgeting and as a method for monitoring progress in the schools relative to the system-wide priorities. More important, it is the vehicle for developing and evaluating the competence of administrators in the system. This part of the long range planning process in the Chicago Public Schools , called the Performance Appraisal Plan, is link between planning and managing the system. "Performance appraisal is put into terms of the actual achievement of objectives which are specific and meaningful - objectives which the administrator and his superior have agreed upon at the beginning of the review period and have discussed during the review period."[17]

Currently one of five instructional priorities in the Chicago Public Schools is reading improvement. Principals develop plans for reading improvement with their District Superintendents. Plans, of

course, vary greatly from school to school. Principals are evaluated on the basis of the progress they make in achieving objectives in reading and other areas.

Again, like zero-base budgeting, much of what is called corporate, strategic planning is applied basic management practice. Also like ZBB and other management practices, its success depends upon skilled application. Unlike ZBB strategic planning puts school system policy makers on record as desiring to move in a particular direction, as being vitally concerned about improvement in a few areas while obviously desiring to improve the delivery of all services.

The long range planning project of the Chicago Public Schools represents another example of how the expertise of private business can be used to accomplish school system objectives. Five corporate planners from other organizations are working with a team of eight school administrators to design and implement the project over the course of this year. The corporate members of the team consist of a planning associate for Continental Illinois Corporation (Continental Bank) of Chicago, the Director of Institutional Research and Planning for DePaul University, the Director of Operational Long-Range Planning for G. D. Searle & Co., the Manager of Corporate Planning for Masonite Corp., and the Director of Planning for Peat, Marwick, Mitchell & Co. Members of the Chicago Public Schools task force are made up of principals, district superintendents, directors and a deputy superintendent. This task force works with a subcommittee of members of the Board of Education. One of the subcommittee's responsibilities is long range planning at the policy level.

"Independent" Internal Audit Office

Often the internal audit function of a school system is defined

so narrowly that it provides little useful decision information for general administrators of the system. Internal audit, if it exists, often reports to the chief financial or business officer and limits its scope of work to data reported on financial documents. While the role of internal auditor is not, by definition, totally independent, its reporting relationships and scope of work could be modified to provide valuable information about ways to reduce waste, improve efficiency, and cause scarce dollars to flow to more desired activities.

In short, auditing procedures should be designed to insure administrative control as well as accounting control. Accounting controls deal with procedures and methods concerned mainly with safeguarding assets and maintaining the reliability of financial records. Administrative control, on the other hand, is concerned with the procedures and methods for achieving operational efficiency and adherence to managerial policies.[18]

The scope of the internal audit function as well as the reporting relationships would of necessity vary from school system to school system. The internal audit department funtion could (and in some systems does) report directly to the General Superintendent.[19] This helps assure independence. The scope of work of such a department includes:

(1) to review, audit and analyze financial and administrative operations for the purpose of identifying problems and recommending improvements to strengthen the information systems, procedures, and controls of the school system;

(2) to develop and implement audit programs to examine the soundness, adequacy, and application of financial, accounting, and administrative controls and to promote

the development of timely, reliable information for decision-making; and

(3) to report, periodically, audit findings and recommendations for improvement, changes, or revisions, where appropriate, to the superintendent.

The results of a recent internal audit program in one large system provide an example of how the internal audit department (IAD) functions. In analyzing the wages and hours records of hourly employees in food service IAD noticed that disproportionate hours were worked just before and after holidays. A physical audit at a sample of sites revealed that lunch room supervisors were providing (unauthorized) "holiday bonuses" by allowing more hours to be put on the time sheets than were actually worked. After this was discovered and documented, IAD brought it to the attention of the appropriate deputy superintendent who took corrective action. IAD analyzed subsequent financial records to insure that corrective action had been taken.

In one much smaller school district the internal audit department reports to the treasurer's office, concerns itself largely with accounting control, and provides technical assistance to a volunteer independent audit committee. This volunteer committee consists of community members with expertise in education, accounting, auditing, business administration, management systems, data processing, economics and finance. These volunteers were recruited through the local chapters of the National Accounting Association and the Institute of Internal Auditors. This group performs operational audits on specific areas as requested by the Board of Education.

The budgeting, planning and internal auditing systems discussed above are management strategies directly designed to improve the

utilization of resources. These systems focus attention on programs or activities and treat personnel as a necessary component of them. A fourth system focuses attention on personnel in the system, and treats programs as vehicles for deploying personnel.

Career Development of School System Personnel

By far the major resource of school systems is the people who work in the system. School systems, like many other organizations, rely on internal promotion to secure needed talent at higher levels in the organization. During periods of relatively high employee mobility there were relatively more opportunities to recruit better (more recently) trained individuals to fill the emerging and existing job requirements of the system. Also, during these times, administration and supervision programs run by schools and colleges of education were sufficient sources of management training for administrative personnel. None of these conditions exists in urban school systems currently. The implication of all of this is that the development of personnel within a school system must receive more careful attention than has been the case heretofore. In order for the structure and operation of an urban school system to evolve, it is necessary that attention be directed explicitly on the skill requirements and career progressions of individuals in the organization.

There are at least five ingredients in a comprehensive approach to career development in a school system:[20]

(1) Definition of the specific skill content of each job in the organization.

(2) Definition of the level of competence required in the specific skills with each job. For example, if the secondary school principal must possess skill in school

scheduling (programming), what level of competence in scheduling would be appropriate?

(3) Development of a career progression plan which will demonstrate how a person migrates from job to job and accomplishes the requisite changes in skills. The plan should also reflect changes in compensation as a result of the migration and training which will be made available to support the development of new or increased skills.

(4) Inventory of school system personnel to determine which skills each person possesses and to what level, and how well that person matches the particular skills profile of one of the jobs (current or planned) in the school system.

(5) Assessment of each person's growth potential and set a growth objective which is reasonable in light of the individual's aspirations and the school system's needs.

The program in management development of the Chicago Public Schools is modeled along the lines described above and involves joint efforts of school staff and corporate professionals with experience in corporate management training programs. Representatives from Chicago United have been assigned to work with school personnel to design the system. (Chicago United is composed of the 20 largest firms in Chicago plus 20 of the largest minority-owned firms in Chicago.) On this project Chicago United is represented by an executive from Arthur Andersen & Co., whose occupation is to help organizations plan career development programs. His services have been provided free of charge to the system.

As part of the project, sixty of the top administrators in the

Chicago public schools will spend three days and nights at Arthur Andersen's international training headquarters in St. Charles, Illinois. There they will receive an intensive initial exposure to the principles of professional management and will talk with Arthur Andersen executives about their experience in setting up an internal management training program. In addition the six hundred school principals attended a two-week management development program this summer. Financial support for this was provided by two foundations and the following corporations: Commonwealth Edison Co., International Harvester Co., People's Gas Light and Coke Company, Standard Oil, and U. S. Steel. That program, called the "Administrative University," is followed up during the school year with more specialized courses for the principals and other managers in the system.

GENERATING ADDITIONAL RESOURCES FOR SCHOOLING

Business, community and higher education resources have been successfully utilized by urban school systems for purposes other than those directly involving resource management: they have been involved in the development and operation of instructional programs and in securing additional resources for schools. Two examples are discussed below:

Career Education

In several large urban school systems, programs of career awareness and career preparation actively involve firms from various sectors of the city. In Chicago, high school students can participate in two types of career development centers (located in other organizations) as part of the career education program.

Students participating in a type I program are typically juniors who attend a career center half days for one semester and earn one and one-half major units (1/3 of the annual credits they will normally earn). The academic credits are related to the curriculum of the particular career center, e.g., economics, business, science, social studies. Career centers are located in businesses, industries, professional organizations, cultural institutions, and urban universities. These organizations provide facilities, materials, and personnel for the program at no additional cost to the Board of Education. A list of organizations currently operating such centers in Chicago is presented in Exhibit 5.

Students in the second type of career development center spend a shorter period of time at the center (a full day followed by five additional half days). It is geared to serve high school sophomores. While no academic credits are earned, the curriculum at the centers is coordinated with the course offerings of sophomores. A list of operating centers of this type is also presented in Exhibit 5.

The "Adopt-A-School Program" in the Dallas Independent School District involves the same principles of utilizing other organizations, although the program is not as directly tied to career education as is the Chicago Program. Businesses which have adopted a school perform a wide variety of functions, including offering short seminars, helping secure specialized equipment, offering on-the-job training positions, seeking summer employment, and providing money for special programs. A partial list of businesses adopting schools or providing other sources of assistance to the DISD is presented as Exhibit 6.

Alternative Organizational Arrangements Within Urban School Systems

In addition to developing new procedures for managing resources,

EXHIBIT 5

CAREER EDUCATION CENTERS*, CHICAGO PUBLIC SCHOOLS

Model I Centers

Center for Hotel/Motel Management Studies	Lake Shore Holiday Inn
Center for Urban Communication Studies	Illinois Bell Telephone
Center for Air Transportation Studies	Federal Aviation Administration and the City of Chicago
Center for Economics and Business Studies	Continental Illinois National Bank
Center for Architecture	Chicago Architectural Assistance Center School of Architecture - University of Illinois at Chicago Circle Department of Facilities Planning of the Chicago Public Schools Perkins & Will
Center for Design	Representatives from: Murrie & Associates Richmond Manhoff Marsh, Inc.
Center for Urban Sciences	School of Urban Science - University of Illinois at Chicago Circle
Center for Environmental Studies	Sheaffer and Rolande, Inc.

Model II Centers

Center for Hotel Management	Lake Shore Holiday Inn
Center for Urban Government	City of Chicago (Tentative)
Center for Public Utilities and Energy	People's Gas (Tentative)
Center for Industrial Occupation Studies (Two Centers)	Western Electric Company Washburn Trade School
Center for Entrepreneurship and Small Business Management	Chicago Association of Commerce and Industry
Center for Military Occupation Studies	Joint Military Services

*As of October 1, 1977.

EXHIBIT 6

BUSINESS WORKING FOR THE DALLAS INDEPENDENT SCHOOL DISTRICT [21]

Aetna Life & Casualty
Anderson-Clayton Foods
Army & Air Force Exchange Service
Atlantic Richfield
Henry C. Beck Co.
Collins Radio
Dallas Power & Light
Exchange Bank & Trust
General Electric
Great American Reserve Life Insurance
IBM
Jim Dandy Foods, Inc.
Lakewood Shopping Center Merchants
Michigan General Corp.
Henry S. Miller Co.
Neiman-Marcus
J.C. Penney Company
Sanger-Harris
Sears, Roebuck & Company
Schepps Dairy
Shell Oil Company
Southwestern Bell Telephone Co.
Sun Company
Texas Distributors
United Electrics Institute
Xerox
Zale Corporation

urban school systems have also developed new organizational arrangements for securing additional resources. Two such arrangements, one involving the Chicago schools and the other involving the Dallas schools, are discussed below.

The Center for Urban Education of the Chicago Public Schools was created by the General Superintendent as an independent entity to conduct policy research for the school system with the aid and assistance of external agencies and groups. It has three relevant characteristics for this discussion:

(1) Its operation is funded largely by grants from private foundations;

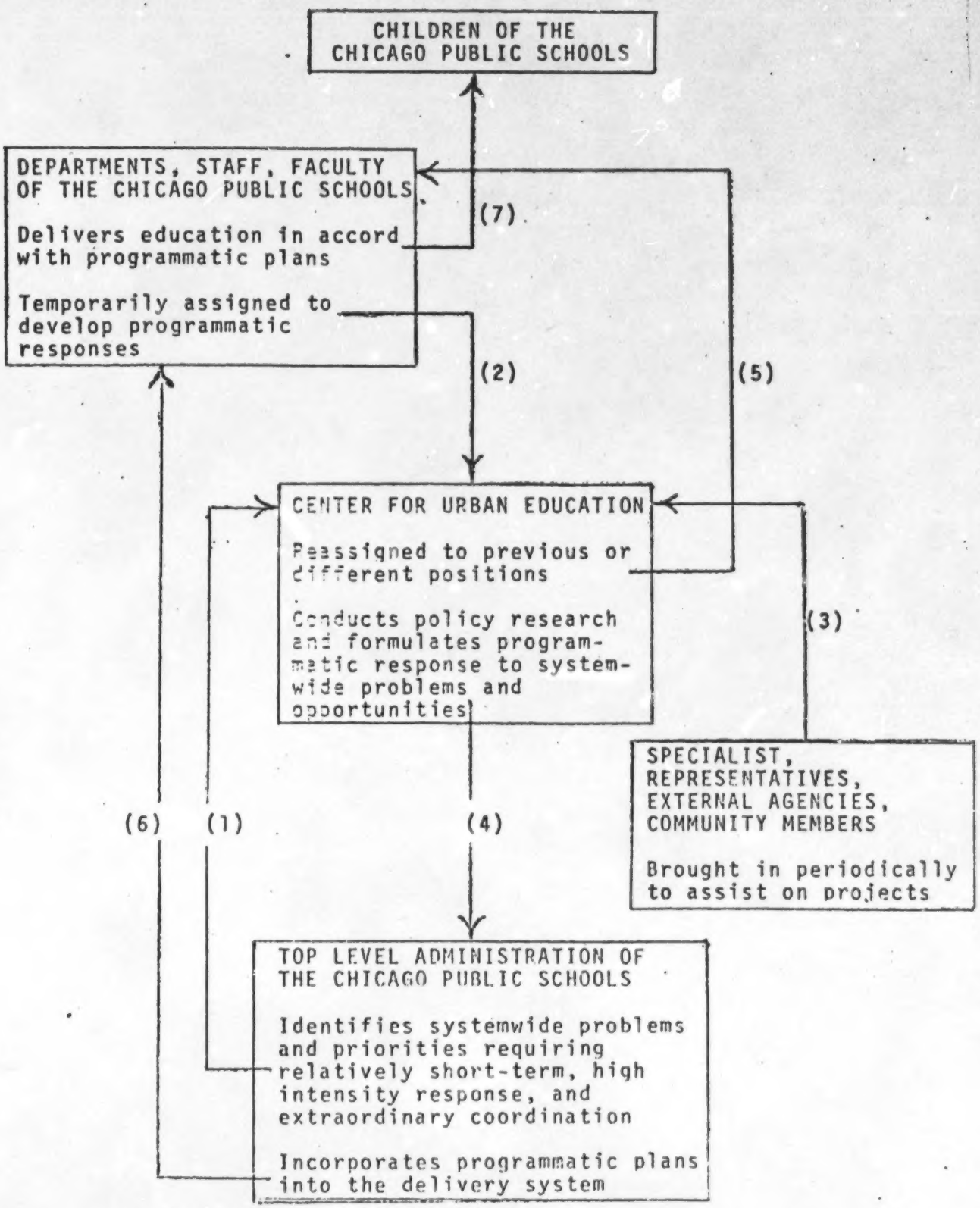
(2) The director of the Center reports directly to the General Superintendent and serves for only a one-year term; and

(3) Among other functions, the Center matches up the research, development, and operation needs of the school system with the special skills of and capabilities of university scholars.

Briefly, the Center brings the technical and grants-getting expertise of external scholars to bear on the problems of the school system. While an independent body, staff at the Center have the authority to assemble the necessary resources to greatly enhance the inflow of dollars to the system from the competitive grants market. Exhibit 7 outlines these processes briefly. Current projects at the Center include those dealing with long range planning, student desegregation, career education, management training, school safety and environment, special education, truancy, and school volunteerism.

In Dallas, a separate foundation has been created to increase the flow of resources to the school system. The articles of incorporation of the "Foundation for Quality Education, Inc." describe

EXHIBIT 7


CHILDREN OF THE CHICAGO PUBLIC SCHOOLS
DEPARTMENTS, STAFF, FACULTY OF THE CHICAGO PUBLIC SCHOOLS
Delivers education in accord with programmatic plans
Temporarily assigned to develop programmatic responses
(7)
(2)
(5)
CENTER FOR URBAN EDUCATION
Reassigned to previous or different positions
Conducts policy research and formulates programmatic response to systemwide problems and opportunities
(3)
SPECIALIST, REPRESENTATIVES, EXTERNAL AGENCIES, COMMUNITY MEMBERS
Brought in periodically to assist on projects
(6)
(1)
(4)
TOP LEVEL ADMINISTRATION OF THE CHICAGO PUBLIC SCHOOLS
Identifies systemwide problems and priorities requiring relatively short-term, high intensity response, and extraordinary coordination
Incorporates programmatic plans into the delivery system

its functions and include:

(1) To do all things necessary or proper to aid in providing the highest quality of education for all pupils served by the Dallas Independent School District, directly or through other organizations.

(2) To solicit, manage, maintain hold, and disburse funds and other grants from individuals, businesses, industries, foundations, and agencies of government to accomplish these purposes.

(3) To make and/or recommend to other trusts, foundations, and corporations, grants for enrichment, research, development and dissemination activities to accomplish these purposes. [22]

The board of trustees of the foundation is composed of prominent citizens of Dallas. As stipulated in the articles of incorporation, no member of the Board of Education can serve on the board of trustees. The foundation was developed in cooperation with the Board of Education. The Board of Education adopted policies to govern its relationship with the Foundation over time.

CONCLUSION

There exist current examples in several cities of increased participation by external bodies in the resource management of school systems. These have been cooperative efforts whose purposes have included better utilization of existing resources and development of additional resources for education. The examples discussed involve zero-base budgeting, long range planning, internal audit, personnel development, career education and alternative organizational structures. The degree to which these examples represent a trend is open to question.

School systems are affected by so many factors, and in turn affect them, that it is often difficult to separate cause and effect. It appears that revenue bases have not kept pace with school spending and that, as a consequence, new methods of resource management are being adopted by some school systems to help dampen down the industry. Their efforts are being aided by a variety of external organizations, each for their own reasons. Have school administrators sought this? Was it forced on them? Can both be possible?

In some large cities, it appears that there is significantly more inter-organizational cooperation at high levels than has existed heretofore. Is this the consequence of "If we don't hang together..." thinking? Will inter-agency cooperation with schools yield more resources for education or a better utilization of existing resources? Will school systems lose a degree of autonomy as a result of this? Are they losing it anyway? What are the consequences of this?

If new strategies for school resource management involving new participants are desired by leaders in a city, a host of specific, procedural questions arise. What is the next step toward improved inter-agency cooperation? Who takes that step? What organizational mechanisms are appropriate to achieve this? Who selects the people and agencies involved?

The answers to these questions will likely vary for each city. The examples in the paper are just examples, not necessarily models. Any generalizations may be premature and not instructive. However, I will conclude with one such generalization. Urban school systems will work more closely with other organizations and individuals to the extent that the interests of all parties are better served than by not doing so.

END NOTES

1 The First National Bank of Chicago, Chicago Board of Education: A Comparative Study, May 25, 1977, p. 3.

2 Ibid.

3 For a discussion of methods for assessing the interaction of fixed cost and enrollment declines see G. C. Hentschke, "The Impact of Enrollment Decline on School District Operating Costs," Educational Economics. May-June 1977, Vol. II, No. 5, pp. 10-15.

4 See for example the corresponding changes in the consumer price index below:

	IIIQ 1968 to IIQ 1975	IIIQ 1968 to IIQ 1975
New York	51.9%	20.0%
Los Angeles	50.0	27.1
Chicago	48.5	24.9
Detroit*	46.4	19.8
Houston	54.8	29.3
Cleveland	50.1	26.5
Milwaukee	49.4	26.6
Dallas	49.4	24.7

* Changes computed from IIIQ 1967 and IIIQ 1971 to IIQ 1974. Source: The First National Bank of Chicago, op. cit., p. 5.

5 Ibid., p. 5.

6 Ibid., p. 7.

7 Ibid., p. 5.

8 The cumulative excess (deficiency) of revenues of the primary operating funds for nine urban systems over the past three years is presented below. (Primary operating funds are net of borrowing, capital outlay, and non-recurring gains or losses.)

	Amount (millions)	Percent of revenues
Los Angeles	$ 34.2	1.3%
Chicago	(17.7)	(0.9)
Philadelphia	(13.0)	(0.9)
Detroit	0.7	0.1
Cleveland	(14.9)	(3.2)
San Diego	2.1	0.5
Memphis	0.4	0.1
Milwaukee	25.4	4.9
St. Louis	(8.1)	(3.2)

Ibid, p. 13.

9 The First National Bank of Chicago, op. cit., pp 10,17

10 See, for example, Raymond Callahan, Education and the Cult of Efficiency, Chicago, University of Chicago Press. 1962.

11 "Business As An Education Resource," Educational Economics, Vol 2, No. 6, September-October, 1977, pp 3-5.

12 Peter A. Pyhrr, Zero-Base Budgeting, New York, John Wiley & Sons, Inc., 1973, p.6.

13 "Zero-Base Budgeting's Value to a Business, "Nations Business." September, 1977, pp. 80-80.

14 Greece Central School District, New York, Zero Base Budget Plan, 1976/77.

15 For a general discussion of strategic planning see Richard F. Vancil and Peter Lorange, :Strategic Planning in Diversified Companies," Harvard Business Review, January-February, 1975, pp. 1-10.

16 These terms defined below are taken from the glossary of terms, Long Range Planning Manual, Chicago Public Schools:

Mission: A statement of the broad, general purpose of a school system or a statement of the type(s) of activities that the system is in. The statement of mission provides direction for the setting of goals, objectives, strategies, and action plans.

Environment: The external forces that affect the growth, development, and performance of the school system, but over which the school system has little or no control. Major sections of the environment include economic conditions, social and demographic trends, technological change and the legal-regulatory-political climate.

Strengths: The abilities, skills, and talents that a school system has or controls relative to its competitors or to an ideal. Strengths should be emphasized in the preparation of the school system's Action Plans.

Weaknesses: A situation or condition within a school system that causes or contributes to a competitive disadvantage, and which can be corrected, eliminated, or compensated for during the planning period. Weaknesses may be identified as pertaining to employees, facilities, programs, services, etc.

Priority: A rating or ranking of importance, prime concern or consideration given to time, people and/or money resources. Priorities must be determined system-wide to provide direction for area, school and departmental planning during the early stages of each respective unit's planning activity.

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